

AR83

STRENGTH | FOCUS | GROWTH



IGM
Financial

ANNUAL REPORT 2006

IGM FINANCIAL INC. is one of Canada's premier financial services companies, with over \$119 billion in assets under management. The Company serves the financial needs of Canadians through multiple businesses, each operating distinctly within the advice segment of the financial services market. The Company is committed to building on its record of delivering growth and value to its clients and shareholders. IGM Financial Inc. is a member of the Power Financial Corporation group of companies, and its shares are listed on the Toronto Stock Exchange (IGM).



Caution Regarding Forward-Looking Statements

This report may contain forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-

looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

Non-GAAP Financial Measures

This Annual Report may also contain non-GAAP financial measures. Terms by which non-GAAP financial measures are identified include but are not limited to "net income excluding a non-cash income tax benefit", "earnings per share excluding a non-cash income tax benefit", "return on equity excluding a non-cash income tax benefit", "adjusted net income" and "adjusted diluted earnings per share" used to provide management and investors with additional measures to assess earnings performance. As well, "Earnings before interest and taxes (EBIT)" and "Earnings before interest, taxes, depreciation and amortization (EBITDA)" are non-GAAP financial measures used to provide management, investors and investment analysts with additional measures to evaluate and analyze the Company's results. However, these non-GAAP financial measures do not have a standard meaning and are not directly comparable to similar measures used by other companies and may not be directly comparable to any prescribed GAAP measure. Please refer to the appropriate reconciliations of these non-GAAP financial measures to measures prescribed by GAAP.

IGM

Financial

2	Financial Highlights
3	Report to Shareholders
6	Investors Group Inc.
10	Mackenzie Financial Corporation
14	Investment Planning Counsel Inc.
15	Management's Discussion and Analysis
49	Financial Review
77	Board of Directors and Executive Officers
78	Shareholder Information

Financial Highlights

	2006	2005	CHANGE	
Net income <i>(\$ millions)</i>				
Excluding a non-cash income tax benefit ⁽¹⁾	\$ 763.0	\$ 682.4	11.8%	
GAAP	776.7	682.4	13.8	
Diluted earnings per share				
Excluding a non-cash income tax benefit ⁽¹⁾	2.85	2.56	11.3	
GAAP	2.90	2.56	13.3	
Return on equity				
Excluding a non-cash income tax benefit ⁽¹⁾	20.3%	20.0%		
GAAP	20.7%	20.0%		
Dividends per share	1.535	1.335	15.0	
Total assets under management⁽²⁾ (\$ millions)	\$119,364	\$100,233	19.1	
Investors Group				
Mutual funds	58,216	50,701	14.8	
Mackenzie				
Mutual funds	46,600	41,592		
Sub-advisory accounts	12,508	7,553		
Institutional and other accounts	2,433	708		
Total	61,541	49,853	23.4	
Counsel Group of Funds				
Mutual funds	2,206	1,858	18.7	
	INVESTORS GROUP	MACKENZIE	COUNSEL GROUP OF FUNDS	TOTAL ⁽³⁾
Mutual Funds and Institutional Sales <i>(\$ millions)</i>				
Gross sales	\$6,190	\$11,713	\$352	\$17,915
Net sales	1,345	2,233	155	3,606

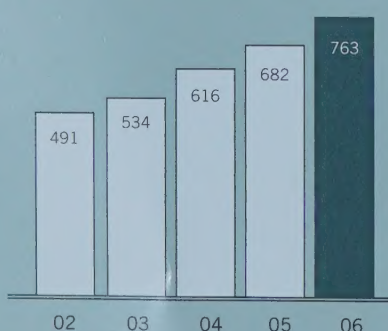
Total Assets under Management

As at December 31 (\$ billions)



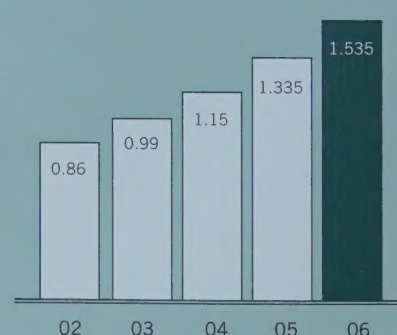
Net Income⁽⁴⁾

For the financial year (\$ millions)



Dividends per Share

For the financial year (\$)




(1) Non-GAAP Financial Measures:

Results for the year ended December 31, 2006 exclude a non-cash income tax benefit recorded in the second quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001.

(2) Total assets under management excludes \$2.6 billion of assets sub-advised by Mackenzie on behalf of Investors Group (\$2.1 billion at December 31, 2005) and is adjusted for \$35 million in inter-segment assets (\$35 million at December 31, 2005).

(3) Total Gross Sales excludes \$340 million in accounts sub-advised by Mackenzie on behalf of Investors Group. Total Net Sales excludes \$127 million in accounts sub-advised by Mackenzie on behalf of Investors Group.

(4) 2003 excludes dilution gain, restructuring reversal related to Mackenzie and non-cash income tax charge. 2004 excludes unitholder compensation. 2006 excludes a non-cash income tax benefit.



Report to Shareholders

IGM Financial and its operating companies experienced sustained growth in 2006 which once again produced positive financial results for its shareholders. Investors Group Inc. and Mackenzie Financial Corporation, the Company's principal businesses, continued to generate strong activity in terms of asset growth, sales, product innovation, investment management, and resource development. The Company is committed to supporting financial advisors as they help investors to reach their financial goals. These strong relationships, and our association with other members of the Power Financial group of companies, have placed the Company in a position of leadership and strength in the industry. Together, these elements enable IGM Financial to create diversified, long-term value for its clients, Consultants, advisors, and shareholders.

Total assets under management at December 31, 2006 totalled \$119.4 billion. This compares with total assets under management of \$100.2 billion at December 31, 2005, an increase of 19.1%.

Net income for the year ended December 31, 2006, excluding a non-cash income tax benefit described below, was \$763.0 million compared to net income of \$682.4 million in 2005, an increase of 11.8%. Earnings per share on the same basis were \$2.85 compared to earnings per share of \$2.56 in 2005, an increase of 11.3%. A non-cash income tax benefit of \$13.7 million resulting from decreases in the federal corporate income tax rates was reported in the second quarter of 2006. Net income for the year ended December 31, 2006, including the non-cash income tax benefit, totalled \$776.7 million and earnings per share on the same basis were \$2.90.

Dividends increased for the 17th consecutive year, rising 20 cents to \$1.535 per share for the year.

INDUSTRY PERSPECTIVE

During 2006, strong investment performance in Canadian and global equity markets delivered significant investment returns for Canadian investors. Investors increased their allocation to equity-oriented products and to global/international products after several years of an income-oriented focus. Announced changes to tax legislation provided investors pause in the income trust arena as the favourable tax treatment for this structure will be eliminated in 2011 if the legislation is passed.

The important role of an advisor in helping Canadians with their financial planning needs became more evident in 2006. The Investment Fund Institute of Canada (IFIC) published its first annual mutual fund investor survey in September 2006 indicating that 85% of mutual fund investors preferred to invest through an advisor and they highly rated the support and advice provided by their advisors.

IFIC reported that as at December 31, 2006, mutual fund assets had increased by 15.8% year-over-year to approximately \$660 billion.

OPERATING HIGHLIGHTS

Growth of the Investors Group Consultant network continued through 2006. A further five region offices were opened. Net sales of mutual funds rose significantly from \$778 million to \$1.35 billion during the period, and combined with strong investment management results, assets under management grew 14.8% to \$58.2 billion. Investors Group continued to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice.

Mackenzie maintained its focus on delivering consistent long-term investment performance true to the multiple styles deployed, while emphasizing product innovation and quality through all aspects of its operations.

This quality is evidenced by the strength of Mackenzie's relationships with financial advisors, its commitment to experienced and talented investment management, and its focused service to advisors and investors. Mackenzie was rewarded in 2006 by growth in assets under management in both the retail and institutional channels through net sales, investment performance, and the strategic acquisition of the Cundill Group. Total assets under management were up 23.4% to \$61.5 billion.

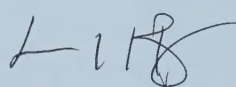
IGM Financial continues to strengthen its business through a strategic focus on multiple distribution opportunities delivering high-quality advice, products, and service solutions for investors. Our scale and investment in technology and operations continue to help us manage our resources effectively and deliver benefits to our investors and shareholders and growth in our business.

LOOKING AHEAD

The financial planning needs of Canadians are evolving and increasing in complexity as the range of investment choices expands and the baby-boom generation nears retirement. IGM Financial is well positioned to meet this growing need – through our support of investor needs, our commitment to provide quality investment advice and financial products, our service innovation, and our effective

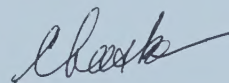
management of the Company. Our institutional and sub-advisory business is expanding. We will continue to focus our businesses to deliver strong value to our clients and our shareholders.

On behalf of the Board of Directors,



Murray J. Taylor
*Co-President and
Chief Executive Officer
IGM Financial Inc.*

February 15, 2007



Charles R. Sims
*Co-President and
Chief Executive Officer
IGM Financial Inc.*



Murray J. Taylor

President and Chief Executive Officer
Investors Group Inc.

Investors Group Inc.

Investors Group is committed to comprehensive financial planning delivered through long-term client and Consultant relationships. We provide financial planning advice and services through a network of over 3,900 Consultants to nearly one million Canadians.



HIGHLIGHTS

- Growth of the Consultant network remains strong, increasing from 3,668 at the end of the previous year to 3,917 Consultants in 2006.
- Assets under management grew by 14.8% in 2006 to \$58.2 billion at December 31, 2006 as a result of increasing sales, declining redemption rates, and strong investment performance.
- Mutual fund gross sales increased by 12.8% in 2006 to \$6.2 billion. Net sales of mutual funds were \$1.3 billion, up 73.0% from \$778 million in 2005.
- Driven by the strength of our client relationships, the 12-month trailing redemption rate for Investors Group's long-term mutual funds has declined to 7.9% for 2006, our lowest level on record.

REPORT ON OPERATIONS

In 2006, Investors Group continued to make progress in a number of key areas. Growth in the Consultant network combined with a further decline in our redemption rates is evidence of client and Consultant satisfaction with the service and products that are provided to meet their financial planning needs.

CONTINUED STRENGTH

Growth of the Investors Group Consultant network continued in 2006. During 2006 we added five new region offices bringing our expansion over the last two years to 12 new region offices. Ten consecutive quarters of continuous growth since mid-2004 is to some degree the result of improvements to our training and support programs, which occurred in 2003 and 2004. Since June 30, 2004, the Consultant network has expanded by 22% from 3,207 to 3,917 at December 31, 2006.

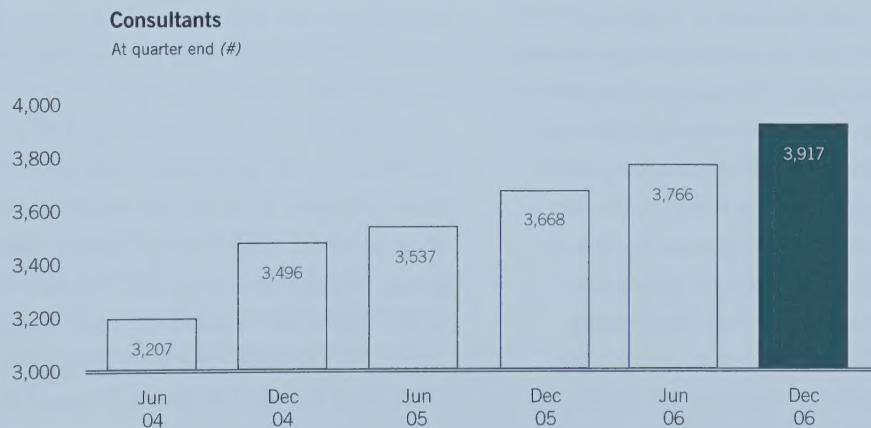
Investors Group continued to support Consultants with high-quality training programs in 2006. New Consultants refined their skills through an emphasis on field-based training delivered by experienced field leadership and mentorship from successful senior Consultants. Investors Group's annual APEX conference offers advanced financial planning and practice management training to over 1,300 Consultants each year. The company's commitment to training and support is integral to our Consultants' ability to deliver effective financial advice in an increasingly complex market.

Our culture provides Consultants with an entrepreneurial environment and unique support structure to deliver personalized service and knowledgeable advice to our clients.

Our culture provides Consultants with an entrepreneurial environment and unique support structure to deliver personalized service and knowledgeable advice to our clients.

PRODUCTS FOR AN EVOLVING MARKETPLACE

The financial planning needs of Canadians are growing in complexity. Investors Group provides an industry-leading range of products and services to meet these diverse needs. We offer investment management, securities, insurance, banking and mortgage products and services to our clients through integrated financial planning.



We apply our experience and expertise in product development and investment management to bring timely and innovative funds to Canadian investors. Fund launches this year focused on the growing capital and cash flow requirements of an aging population and areas of investment management strength.

In addition to our \$58.2 billion in mutual fund assets, we have helped our clients establish \$41.3 billion in insurance coverage in force and \$6.1 billion in banking and mortgage loan balances.

Our Symphony Strategic Investment Planning™ supports Consultants in building optimized risk-adjusted portfolios for clients, and provides enhanced reporting features. Net flows to the Symphony-based Alto and Allegro Portfolios increased 19.8% year-over-year.

We apply our experience and expertise in product development and investment management to bring timely and innovative funds to Canadian investors.

Fund launches this year focused on the growing capital and cash flow requirements of an aging population and areas of investment management strength. This included the introduction of the Investors Global

Dividend Fund at the end of 2005, followed by the Investors Canadian Growth Fund and the IG Mackenzie Maxxum Canadian Equity Growth Fund in July, and the Investors Greater China Fund in August.

In September, the Investors Group Charitable Giving Program was introduced. One of the few programs of its kind in Canada, the program offers the opportunity for many Canadians to build an enduring charitable giving legacy.

Investors Group's commitment to the ongoing evolution and expansion of its product and service offering enhances our ability to deliver comprehensive financial planning to meet the evolving personal financial needs of our clients.

BUILDING COMMUNITIES

In 2006, Investors Group expanded its support of the communities in which our employees, Consultants, and clients live and work. Consultants and employees continued to donate their time and expertise to hundreds of charitable organizations.

The spirit of volunteerism has been strong and continues to be recognized throughout the country. New programs to recognize employees who volunteer their personal time to help various community programs and activities were introduced in 2006. During 2006, employees worked together through several initiatives including the formation of an annual Walk/Run for the Children's Hospital Foundation of Manitoba.

In 2006, Investors Group was proud to present the third annual Herbert H. Carnegie Community Service Award to Mark Ewert and the inaugural Herbert H. Carnegie Community Leadership Award to Linda Hancock. The awards are named after Order of Canada recipient and former Investors Group Consultant Herbert Carnegie, who in his 35 years with the company, came to epitomize the qualities of success and care for others in the community. Mark exemplifies these qualities through the extensive volunteer work he does locally in the Niagara region as well as internationally where he has led or organized several humanitarian aid trips to countries like Guatemala, Zambia, and Bolivia. Linda has earned many awards for her extensive volunteer contributions to organizations such as Big Sisters, the YM-YWCA, United Way and causes that support the needs of women, people living with disabilities, sports medicine and finding a cure for cancer.

Corporately, Investors Group has a long association with United Way and its support of local campaigns in communities across Canada. We are also a major supporter of Imagine Canada and Volunteer Canada in encouraging charitable giving and volunteerism by Canadian companies. In addition, Investors Group supports the Canadian Association of Food Banks through *Food for Thought*, a national campaign of local initiatives to raise awareness about hunger-related issues.

Investors Group's long-standing commitment to corporate citizenship is rooted in the strong, enduring relationships we have developed with people in our communities.

Investors Group's long-standing commitment to corporate citizenship is rooted in the strong, enduring relationships we have developed with people in our communities.

BUILDING ON STRENGTH

Investors Group continues to focus on its strengths as building blocks for the future. In 2006, the Consultant network growth, the active engagement of our 1,600 employees, the continual refinement of the financial planning process, and the expansion of our product and service offering demonstrates the company's commitment to meet the evolving financial needs of Canadians.



Charles R. Sims

President and Chief Executive Officer
Mackenzie Financial Corporation

Mackenzie Financial Corporation

Founded in 1967, Mackenzie continues to build an investment advisory business primarily through proprietary investment research and experienced portfolio management. Our diversified distribution network continues to expand amongst independent financial advisors, and more recently has grown dramatically in the sub-advised, institutional and high net worth markets in North America.

HIGHLIGHTS

- As of December 31, 2006, total assets under management were \$61.5 billion, up 23.4% from the prior year end. Institutional, sub-advised and other assets under management increased to \$14.9 billion, up 80.9% from the prior year.
- During 2006, Mackenzie continued to build and develop relationships within the retail and institutional channels. Total sales into retail, sub-advised and institutional products were \$11.7 billion versus \$11.1 billion in 2005, an increase of 5.6%.
- Mackenzie acquired the assets of Cundill Investment Research Ltd., and related entities (the Cundill Group) on September 22, 2006, which added \$3.3 billion in institutional and high net worth assets and solidified the long-standing relationship between the two organizations, which began in 1998 in the retail channel in Canada.
- A number of innovative products were introduced in 2006, including the Mackenzie Charitable Giving Fund, which allows clients to leave a lasting legacy by creating their own charitable donor-advised account, and the Mackenzie Founders Fund, a fund of funds that combines four of our legacy funds.



REPORT ON OPERATIONS

In 2006, Mackenzie and its subsidiaries continued to focus on business growth, innovation, and effectiveness. Total assets under management, a key driver in our business model, increased by 23.4% over the prior year. Growth occurred in the traditional mutual fund business through asset appreciation and net sales. We expanded the institutional, sub-advised and high net worth portion of our business with the acquisition of the Cundill Group in September and through continued net sales and asset appreciation of existing assets under management.

Our product lineup evolved again this year with changes to increase portfolio manager flexibility to invest outside Canada within the Canadian balanced and equity portfolios, to expand our domestic and foreign income-oriented investment solutions and, to simplify the line up for advisors and investors.

We remained focused on the effectiveness of our service capabilities within the different lines of the business.

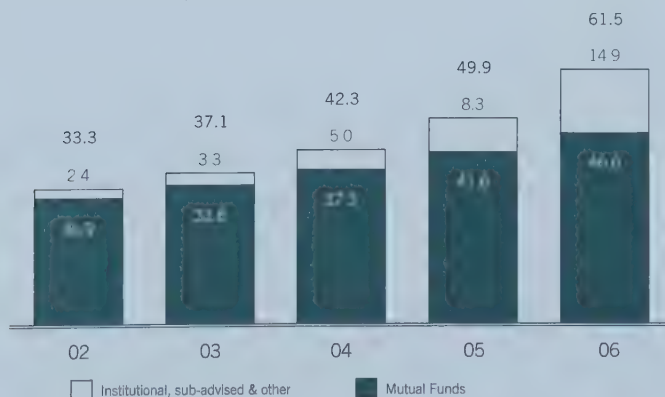
The quality and depth of research, and the talent of Mackenzie's fund managers, and sub-advisors have all contributed to the company's ability to provide clients with high-quality products.

INVESTMENT MANAGEMENT

Under the Mackenzie banner, we deploy a sub-branding strategy that includes Cundill, Ivy, Maxxum, Sentinel, and Universal to highlight the diverse investment styles and objectives offered within our broad product lineup. The quality and depth of research, and the talent of Mackenzie's fund managers and sub-advisors have all contributed to our ability to provide clients with consistent long-term investment performance results.

Total Assets under Management

As at December 31 (\$ billions)



The strength of Mackenzie's distribution network is built on our long-standing and expanding relationships with financial advisors and representatives across the breadth of our distribution channels.

DISTRIBUTION

The strength of Mackenzie's distribution network is built on our long-standing and expanding relationships with financial advisors and representatives across the breadth of our distribution channels. These relationships allow the company's products to be efficiently distributed through retail brokers, financial advisors, insurance agents, banks, and financial institutions, giving the company one of the broadest retail distribution platforms of any investment company in Canada. More recently the company has expanded into the institutional, sub-advised, and high net worth businesses.

SERVICE

We are committed to consistently deliver high-quality service to our clients, while striving to improve both the level of service and cost efficiency.

Mackenzie products are distributed widely through the financial advice channel and the company is proud

of the relationship it has built up with financial advisors over the last 40 years. Through the dedicated efforts of our employees, these relationships continue to grow, as Mackenzie now reaches more than 30,000 advisors and 1.4 million investors across Canada. In addition to the timely and accurate reporting of fund performance and account activity, company representatives regularly meet with advisors to gain insight and assist advisors in delivering investment products that help clients reach their financial goals. Advisors also benefit from ongoing education programs through Mackenzie University, which delivers leading business management and product training programs.

PRODUCT FOCUS

Mackenzie's product capabilities continued to expand during the year with the introduction of innovative new offerings, designed to provide clients with even more effective investment solutions. This determination to stay at the forefront of the sector through innovation was highlighted by the company's decision to introduce the Mackenzie Charitable Giving Fund, which enables individuals to create their own donor-advised account.

Our new Guided Portfolio Service allows clients and their advisors to automatically rebalance portfolios and is now offered across a broad sector of mutual funds. As well, an increasing number of products offer hedges against currency risk, and the company successfully introduced another Resource Limited Partnership.

- Investors were given more choice in the growing fixed-income sector where Mackenzie launched three new funds: the Mackenzie Universal U.S. Dividend Income Fund, Mackenzie Sentinel Diversified Income Fund and Mackenzie Sentinel Income Trust Fund.
- Mackenzie also offered its clients expanded international exposure by increasing diversification across a number of its equity funds. The purchase of the Cundill Group also increased the company's flexibility in international markets. Mackenzie marked its 40th anniversary with the launch of the Founders Fund, bringing four of Mackenzie's most recognized funds into a single equity portfolio.
- Innovation and diversification also involved the property sector, and the Mackenzie Universal World Real Estate Class was positioned to offer investors more choice in the expanding international real estate securities sector.

INVESTING IN COMMUNITIES

Mackenzie's commitment to quality and excellence extends to community involvement and is focused in three areas: corporate philanthropy, employee volunteerism, and the Mackenzie Financial Charitable Foundation, a registered charity managed principally by Mackenzie employee volunteers.

The Mackenzie Financial Charitable Foundation acts as a centralized body for charitable giving, volunteering, and fundraising programs. The Foundation's

This year marks the 40th anniversary of Mackenzie Financial Corporation, and we are celebrating 25 years of service at MRS... We are proud of our track record, our people and our business.

main areas of focus are health services and research, social welfare, education and poverty-related causes, with a particular emphasis on support for children and young adults.

This year marks the 40th anniversary of Mackenzie Financial Corporation, and we are celebrating 25 years of service at MRS. The company is dedicated to providing clients with high quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings. We are proud of our track record, our people and our business.

Investment Planning Counsel Inc.

Investment Planning Counsel is an integrated financial services company focused on providing Canadians with high-quality financial products, services, and advice, while helping them achieve their financial dreams. Investment Planning Counsel is dedicated to providing independent financial planners with the tools, products and support they need to build a better business.

Investment Planning Counsel is one of the largest financial planning organizations in Canada. From its inception in 1996 through 2006, it has continued to evolve and adapt to meet the needs and expectations of their clients and advisors.



HIGHLIGHTS

- In 2006, Investment Planning Counsel saw assets under administration increase from \$8.9 billion to over \$10.3 billion, an increase of 16.6%.
- Assets under management, in the Counsel Funds grew from approximately \$1.9 billion to \$2.2 billion in 2006, an increase of 18.7%.
- Investment Planning Counsel partners with over 560 advisors across the country and continues to attract advisors into its business model.

STRENGTH IN PARTNERSHIP

The relationship between IGM Financial and Investment Planning Counsel provides a solid foundation for growth and excellence. The scale, strength, and expertise of IGM Financial allows Investment Planning Counsel to improve operational efficiencies in various processes such as compliance and back-office infrastructure. The relationship enables the company to provide its advisors with a strong and stable operating environment, thereby allowing them to build a better business, while providing enhanced client service.

In addition to investment management solutions, advisors have access to a suite of insurance, securities, and mortgage products. The broad product offering gives advisors a range of financial products to service their clients' evolving needs.

BUILDING FOR THE FUTURE

Investment Planning Counsel continues to improve its product and service offering for advisors and clients. With ongoing improvements to its business fundamentals, Investment Planning Counsel will continue to deliver value to advisors and clients, while building its reputation as a leading network of advisors.

Financial Section

MANAGEMENT'S DISCUSSION AND ANALYSIS

IGM Financial Inc.

- 17 Summary of Consolidated Operating Results

Investors Group

- 22 Review of the Business
- 28 Review of Segment Operating Results

Mackenzie

- 31 Review of the Business
- 36 Review of Segment Operating Results

IGM Financial Inc.

- 38 Consolidated Financial Position
- 39 Consolidated Liquidity and Capital Resources
- 43 Outlook
- 46 Accounting Estimates and Policies
- 48 Disclosure Controls and Procedures
- 48 Internal Controls Over Financial Reporting
- 48 Other Information

FINANCIAL REVIEW

Consolidated Financial Statements

- 50 Management's Responsibility for Financial Reporting and Auditors' Report
- 51 Consolidated Financial Statements
- 54 Notes to Consolidated Financial Statements

Supplementary Information

- 74 Quarterly Review
- 75 Ten Year Review

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) presents management's view of the operations and financial condition of IGM Financial Inc. (IGM Financial or the Company) for the years ended December 31, 2006 and 2005. Commentary in the MD&A as at and for the year ended December 31, 2006 is as of February 14, 2007.

Basis of Presentation and Summary of Accounting Policies

The Consolidated Financial Statements of IGM Financial, which are the basis of information presented in the Company's MD&A, have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars – refer to Note 1 of the Consolidated Financial Statements.

Principal Holders of Voting Shares

As at December 31, 2006, Power Financial Corporation (PFC) and Great-West Lifeco Inc. (GWL) held 55.9% and 3.5%, respectively, of the outstanding common shares of IGM Financial.

FORWARD-LOOKING INFORMATION

This report may contain forward-looking statements about IGM Financial, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “plans”, “believes”, “estimates”, “intends”, “targets”, “projects”, “forecasts” or negative versions thereof and other similar expressions, or future or conditional verbs such as “may”, “will”, “should”, “would” and “could”. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future Company action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company has no specific intention to update any forward-looking statements whether as a result of new information, future events or otherwise.

IGM Financial Inc.

Summary of Consolidated Operating Results

Net income for the year ended December 31, 2006 was \$776.7 million. This amount included a \$13.7 million (5 cents per share) non-cash income tax benefit recorded in the second quarter resulting from decreases in the federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001. There is no expectation that the future tax liability will become payable as the Company has no intention of disposing of these assets. Diluted earnings per share on this basis were \$2.90. Net income for the year ended December 31, 2006, excluding the non-cash income tax benefit, was \$763.0 million compared to net income of \$682.4 million in 2005, an increase of 11.8%. Diluted earnings per share on the same basis were \$2.85 compared to \$2.56 in 2005, an increase of 11.3%.

Shareholders' equity was \$3.82 billion as at December 31, 2006, up from \$3.45 billion at December 31, 2005. Return on average common equity for the year ended December 31, 2006, excluding a non-cash income tax benefit, was 20.3% compared with return on average common equity of 20.0% in 2005. The quarterly dividend per common share was increased to 39.75 cents in 2006 from 34.5 cents at the end of 2005.

Net Income and Diluted Earnings per Share

For the financial year (\$ millions, except per share amounts)

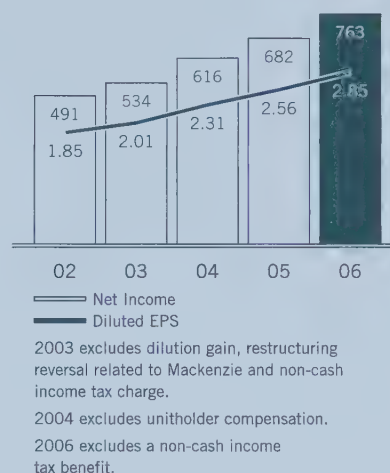


TABLE 1: RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(\$ millions)	2006		2005		2004	
	NET INCOME	EPS	NET INCOME	EPS	NET INCOME	EPS
Adjusted net income –						
Non-GAAP measure	\$ 763.0	\$ 2.85	\$ 682.4	\$ 2.56	\$ 615.6	\$ 2.31
Non-cash income tax benefit	13.7	0.05	–	–	–	–
Unitholder compensation, net of tax	–	–	–	–	(19.2)	(0.07)
Net income – GAAP	\$ 776.7	\$ 2.90	\$ 682.4	\$ 2.56	\$ 596.4	\$ 2.24
EBITDA – Non-GAAP measure	\$ 1,535.3		\$ 1,365.5		\$ 1,253.1	
Commission amortization	(298.6)		(260.2)		(226.7)	
Amortization of capital and intangible assets	(21.7)		(22.4)		(22.9)	
Interest expense on long-term debt and dividends on preferred shares	(105.0)		(107.5)		(112.2)	
Unitholder compensation	–		–		(28.8)	
Income before income taxes and non-controlling interest	1,110.0		975.4		862.5	
Income taxes	(331.2)		(291.5)		(264.9)	
Non-controlling interest	(2.1)		(1.5)		(1.2)	
Net income – GAAP	\$ 776.7		\$ 682.4		\$ 596.4	

NON-GAAP FINANCIAL MEASURES

Adjusted net income, diluted earnings per share (EPS) and return on common equity (ROE) for the year ended December 31, 2006 excluded a non-cash income tax benefit of \$13.7 million recorded in the second quarter resulting from decreases in federal corporate income tax rates and their effect on the future income tax liability related to indefinite life intangible assets. Adjusted net income, EPS and ROE for the year ended December 31, 2004 excluded a charge to earnings of \$28.8 million (\$19.2 million after tax) which included both compensation payments to certain unitholders of Investors Group and related costs resulting from settlement agreements with regulatory agencies (unitholder compensation). While these non-GAAP financial measures are used to provide management and investors with additional measures to assess earnings performance, they do not have standard meanings and are not directly comparable to similar measures used by other companies.

Earnings before interest and taxes (EBIT) and earnings before interest, taxes, depreciation and amortization (EBITDA) are also non-GAAP financial measures.

EBIT and EBITDA are alternative measures of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. EBITDA is discussed further in the Consolidated Liquidity section later in this MD&A. These non-GAAP financial measures do not have standard meanings and are not directly comparable to any GAAP measure or to similar measures used by other companies.

The reconciliation of non-GAAP results to reported results in accordance with GAAP for net income, EPS and EBITDA is provided in Table 1. The reconciliation of non-GAAP results to reported results in accordance with GAAP related to EBIT is provided in Table 2.

REPORTABLE SEGMENTS

IGM Financial's reportable segments, which reflect the current organizational structure, are:

- Investors Group
- Mackenzie
- Corporate and Other

Management measures and evaluates the performance of these segments based on EBIT as shown in Table 2.

TABLE 2: CONSOLIDATED OPERATING RESULTS BY SEGMENT

(\$ millions)	INVESTORS GROUP		MACKENZIE		CORPORATE & OTHER		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005
Fee income	\$ 1,343.3	\$ 1,201.5	\$ 934.1	\$ 863.3	\$ 114.9	\$ 99.7	\$ 2,392.3	\$ 2,164.5
Net investment income and other	146.0	126.4	27.1	19.0	39.2	37.7	212.3	183.1
	1,489.3	1,327.9	961.2	882.3	154.1	137.4	2,604.6	2,347.6
Operating expenses								
Commissions	392.5	326.5	370.4	339.9	69.9	60.1	832.8	726.5
Non-commission	273.9	265.5	267.5	258.9	32.0	30.9	573.4	555.3
	666.4	592.0	637.9	598.8	101.9	91.0	1,406.2	1,281.8
Earnings before interest and taxes	\$ 822.9	\$ 735.9	\$ 323.3	\$ 283.5	\$ 52.2	\$ 46.4	1,198.4	1,065.8
Interest expense							88.4	90.4
Income before income taxes and non-controlling interest							1,110.0	975.4
Income taxes							331.2	291.5
Income before non-controlling interest							778.8	683.9
Non-controlling interest							2.1	1.5
Net income								
In accordance with GAAP							\$ 776.7	\$ 682.4
Excluding a non-cash income tax benefit ⁽¹⁾							\$ 763.0	\$ 682.4

(1) Refer to Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

Discussion of Investors Group and Mackenzie segment operating results is contained in their respective sections of this MD&A.

The Corporate and Other segment includes operating results for Investment Planning Counsel, net investment income earned on unallocated investments and other income as well as inter-segment eliminations. Earnings before interest and taxes for Corporate and Other were \$52.2 million for the year ended December 31, 2006 compared to \$46.4 million in 2005. Earnings before interest and taxes related to Investment Planning Counsel were \$2.7 million higher than 2005 levels, primarily as a result of increases in both assets under management and assets under administration during 2006. In addition, Investment Planning Counsel's 2005 results included a non-recurring gain of \$1.1 million related to the disposition of an investment. Net investment income on unallocated investments increased by \$16.6 million in 2006 compared with 2005 related to both higher balances and higher interest rates. Other income decreased by \$14.3 million in 2006 compared with 2005. Other income in 2005 included the elimination of certain provisions established as a result of previous acquisitions.

Certain items reflected in Table 2 are not allocated to segments:

- *Interest expense* – Represents the interest expense on both the remaining debt issued pursuant to the Mackenzie acquisition and a note payable to Power Financial Corporation, as well as dividends paid on the outstanding preferred shares. Interest expense on long-term debt totalled \$67.7 million in 2006 compared with \$69.7 million in 2005. The decrease in expense related to the interest on the \$25.0 mil-

lion note payable to Power Financial Corporation which matured on January 16, 2006. Dividends paid on preferred shares were \$20.7 million in both 2006 and 2005.

- *Income taxes* – The effective income tax rate for the year ended December 31, 2006 was 29.8% compared with 29.9% in 2005 as shown in Table 3. As a result of decreases in federal corporate income tax rates and the resulting reduction in the future income tax liability related to indefinite life intangible assets arising from the acquisition of Mackenzie Financial Corporation in 2001, the Company recorded a \$13.7 million (\$0.05 per share) non-cash income tax benefit in the second quarter. This resulted in a 1.23% reduction in the effective income tax rate for the year ended December 31, 2006. The benefit of the reduction in federal and provincial corporate income tax rates on other operating future income tax assets and liabilities is reflected in the Other items line.

Continuous tax planning may allow the Company to record lower income taxes in the current period and, as well, income taxes recorded in prior periods may be adjusted in the current period to reflect management's best estimates of the overall adequacy of its provisions at that time. Any related tax benefits or changes in management's best estimates are reflected in Other items, which also includes, but is not limited to, the effect of lower effective tax rates on income not subject to tax in Canada. Management monitors the status of its income tax filings, and regularly assesses the overall adequacy of its provision for income taxes.

TABLE 3: EFFECTIVE INCOME TAX RATE

	2006	2005
Income taxes at Canadian federal and provincial statutory rates	35.44%	35.93%
Effect of:		
Dividend income	(0.15)	(0.30)
Net capital gains and losses	(0.75)	(0.75)
Share of earnings of affiliate	(2.55)	(2.72)
Preferred dividends paid	0.68	0.79
Impact of rate changes on future income taxes related to indefinite life intangible assets	(1.23)	–
Other items	(1.60)	(3.06)
Effective income tax rate	29.84%	29.89%

SELECTED ANNUAL INFORMATION

Financial information for the three most recently completed years is included in Table 4.

- *Net Income and Earnings per Share* – Table 1 of the MD&A shows the reconciliation of non-GAAP financial results to GAAP results for the three years under review. Except as noted in the reconciliation in Table 1, variations in net income and total revenues result primarily from changes in total mutual fund assets under management. Average daily

mutual fund assets under management by year are shown in Table 4. The impact on earnings and revenues of changes in mutual fund assets under management are discussed in the Review of Segment Operations sections of the MD&A for both Investors Group and Mackenzie.

- *Dividends per Common Share* – Dividends per common share increased by 15% in 2006 and 16% in each of 2005 and 2004.

TABLE 4: SELECTED ANNUAL INFORMATION

	2006	2005	2004
Consolidated statements of income (\$ millions)			
Fee income	\$ 2,392.3	\$ 2,164.5	\$ 1,955.8
Net investment income and other	212.3	183.1	163.3
	2,604.6	2,347.6	2,119.1
Operating expenses	1,494.6	1,372.2	1,256.6
Income before income taxes and non-controlling interest	1,110.0	975.4	862.5
Income taxes	331.2	291.5	264.9
	778.8	683.9	597.6
Non-controlling interest	2.1	1.5	1.2
Net income			
In accordance with GAAP	\$ 776.7	\$ 682.4	\$ 596.4
Adjusted net income ⁽¹⁾	\$ 763.0	\$ 682.4	\$ 615.6
Earnings per share (\$)			
In accordance with GAAP – Basic	\$ 2.93	\$ 2.58	\$ 2.26
– Diluted	\$ 2.90	\$ 2.56	\$ 2.24
Adjusted earnings per share ⁽¹⁾			
– Basic	\$ 2.88	\$ 2.58	\$ 2.33
– Diluted	\$ 2.85	\$ 2.56	\$ 2.31
Dividends per share (\$)			
Common	\$ 1.54	\$ 1.34	\$ 1.15
Preferred	\$ 1.44	\$ 1.44	\$ 1.44
Average daily mutual fund assets (\$ millions)			
	\$ 99,015	\$ 87,723	\$ 78,793
Total mutual fund assets under management (\$ millions)			
	\$ 106,987	\$ 94,116	\$ 83,273
Total assets under management⁽²⁾ (\$ millions)			
	\$ 119,364	\$ 100,233	\$ 86,621
Total corporate assets (\$ millions)			
	\$ 7,333	\$ 6,807	\$ 6,473
Total long-term debt (\$ millions)			
	\$ 1,200	\$ 1,225	\$ 1,227
Outstanding common shares (thousands)			
	264,866	264,539	264,598

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

(2) Total assets under management excludes \$2.6 billion of assets sub-advised by Mackenzie on behalf of Investors Group (\$2.1 billion at December 31, 2005 and \$1.7 billion at December 31, 2004) and is adjusted for \$35 million in inter-segment assets (\$35 million at December 31, 2005 and \$32 million at December 31, 2004).

SUMMARY OF QUARTERLY RESULTS

Financial information for the eight most recently completed quarters is included in Table 5. Significant variation in quarterly earnings occurred in the second quarter of 2006 due to the \$13.7 million non-cash income tax benefit recorded by IGM Financial as described earlier in the Summary of Consolidated Operating Results. Quarterly results are not generally subject to significant seasonal fluctuations because earnings are primarily

dependent on the level of mutual fund assets under management. Average daily mutual fund assets under management by quarter are shown in the Summary of Quarterly Results in Table 5. Although mutual fund sales are generally higher in the first quarter of each year as a result of the RSP season, the impact of the higher sales on that quarter's earnings is not significant.

TABLE 5: SUMMARY OF QUARTERLY RESULTS

	2006				2005			
	4	3	2	1	4	3	2	1
Consolidated statements of income (\$ millions)								
Fee and net investment income								
Management	493.2	456.5	455.9	452.3	427.1	420.5	406.4	390.7
Administration	79.6	77.1	76.5	80.0	78.0	74.5	75.4	79.5
Distribution	55.4	54.1	54.9	56.8	55.9	53.4	49.8	53.3
Net investment income and other	50.4	55.4	49.3	57.2	47.3	38.6	47.6	49.6
Total fee and net investment income	678.6	643.1	636.6	646.3	608.3	587.0	579.2	573.1
Operating expenses								
Commission expense	219.0	205.2	206.2	202.4	189.5	183.5	177.9	175.6
Non-commission expense	148.0	134.5	141.5	149.4	141.2	135.6	135.7	142.8
Interest expense	22.2	22.2	22.1	21.9	22.7	22.8	22.5	22.4
Total operating expenses	389.2	361.9	369.8	373.7	353.4	341.9	336.1	340.8
Income before undernoted	289.4	281.2	266.8	272.6	254.9	245.1	243.1	232.3
Income taxes	89.1	89.6	65.6	86.9	77.5	68.3	74.6	71.1
	200.3	191.6	201.2	185.7	177.4	176.8	168.5	161.2
Non-controlling interest	0.7	0.2	0.8	0.4	0.2	0.2	0.6	0.5
Net income								
In accordance with GAAP	199.6	191.4	200.4	185.3	177.2	176.6	167.9	160.7
Reconciliation of non-GAAP financial measures⁽¹⁾ (\$ millions)								
Adjusted net income – non-GAAP measure	199.6	191.4	186.7	185.3	177.2	176.6	167.9	160.7
Non-cash income tax benefit	–	–	13.7	–	–	–	–	–
Net income – in accordance with GAAP	199.6	191.4	200.4	185.3	177.2	176.6	167.9	160.7
Earnings per share (¢)								
In accordance with GAAP								
– Basic	75	72	76	70	67	67	63	61
– Diluted	75	72	75	69	66	66	63	60
Adjusted earnings per share ⁽¹⁾								
– Basic	75	72	71	70	67	67	63	61
– Diluted	75	72	70	69	66	66	63	60
Average daily mutual fund assets (\$ billions)	103.2	98.1	97.8	96.9	90.6	89.7	86.1	84.5

(1) Refer to the Summary of Consolidated Operating Results for an explanation of the Company's use of non-GAAP financial measures.

Investors Group

Review of the Business

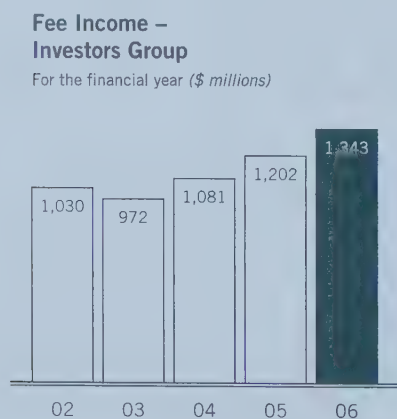
Investors Group's core business provides a broad range of financial and investment planning services to Canadians through its dedicated network of Consultants across the country.

Investors Group earns revenue primarily from:

- Management fees charged to its mutual funds.
- Fees charged to its mutual funds for administrative, trustee and other services.
- Distribution fees charged to mutual fund account holders.

Fee income is also earned from the distribution of insurance, banking and securities services. Additional revenue is derived from net investment income and other income, as discussed in the Review of Segment Operating Results.

Revenues depend largely on the value and composition of mutual fund assets under management. Our comprehensive approach to financial planning, provided by our Consultants through the broad range of financial products and services offered by Investors Group, has resulted in strong mutual fund sales and a mutual fund redemption rate lower than the industry average. Mutual fund gross sales through our Consultant network increased by 12.8% in 2006 to \$6.2 billion. The redemption rate on long-term funds declined to a record low of 7.9% for the 12 months ending December 31, 2006, down from 8.7% in 2005. Net sales were \$1.3 billion, up from \$778 million in 2005, an increase of 73%.



INVESTORS GROUP STRATEGY

Investors Group strives to ensure that the interests of shareholders, clients, Consultants and employees are as closely aligned as possible. Investors Group's business approach embraces current trends in the Canadian financial services industry and our strategic plan is focused on:

1. Growing our distribution network through the attraction of new Consultants to our industry and the retention of existing Consultants.
2. Emphasizing the delivery of financial planning advice, products and services through our dedicated network of Consultants.
3. Extending the diversity and range of products offered by Investors Group as we continue to build and maintain enduring client relationships.
4. Maximizing returns on business investment by:
 - Focusing resources on initiatives that have direct benefits to clients and Consultants.
 - Controlling expenditures through the management of staffing, productivity and technological resources while capitalizing on economies of scale through our relationship with Mackenzie and Investment Planning Counsel, along with other members of the Power Financial group of companies.

CORE BUSINESS

Consultants

Investors Group distinguishes itself from its competition by offering personal financial planning to its clients within the context of long-term relationships. At the centre of this relationship is a national distribution network of Consultants located in 79 regional offices and related financial planning centres across Canada.

Growth of the Investors Group Consultant network continued to be strong in 2006. A further five regional offices were opened in 2006 as Investors Group continued to build its Consultant network. Additional region offices were established in Vancouver, Regina, Mississauga, London and Halifax.

RECRUITING AND RETENTION

Investors Group combines a number of interview and testing techniques to identify individuals who demonstrate a blend of experience, education and aptitude that makes them well suited to becoming successful financial planners.

At the end of 2006, Investors Group had 3,917 Consultants, compared with 3,668 in 2005. The number of Consultants with more than four years experience was 2,205 compared to 2,100 a year earlier. Our Consultant network has grown in each of the last ten consecutive quarters increasing by 710 Consultants or 22% since June 30, 2004.

CONSULTANT DEVELOPMENT

Management continues to focus on Consultant development. Each year our training curriculum is reviewed and refreshed to offer new Consultants the essential building blocks they require to develop their individual businesses. In 2006, we enhanced our training program for Consultants in the early stages of their development. New advisory councils were created in 2006 to gather feedback from successful Consultants and use this knowledge to improve the productivity of new and developing Consultants. We also placed greater emphasis on insurance through a new national insurance training program.

As Consultants progress, they develop their skills as financial planners and business managers by attending a selection of focused educational programs including: financial planning skills, product knowledge, client service, business development skills, compliance, technology, practice management and other related topics. This core training is supplemented by annual training conferences where education is tailored to new and experienced Consultants alike.

FIELD MANAGEMENT DEVELOPMENT

As part of Investors Group's commitment to growth, we continued to focus on developing a strong and experienced leadership team across the country. In addition to increasing the number of individuals in field management roles, we also provided additional opportunities for management training and peer-to-peer coaching. We have also seen positive results from our online system for Division Directors that tracks new Consultant effectiveness and assists field management with identifying coaching and mentorship opportunities.

PRODUCTIVITY

Investors Group implemented a number of significant changes in 2006 designed to enhance the productivity of our Consultant network which included:

- The launch of Client Account View which allows clients to view their Investors Group accounts online.
- The redevelopment of our Consultant intranet designed to improve access to information resources and business tools.

- The expansion and development of our specialist network in support of insurance, securities and mortgages/banking products through improved support and training, including the introduction of a National Specialist conference.

Management believes that these initiatives make Investors Group more attractive and competitive to Consultants and potential Consultants, and contribute to strong recruitment, productivity, and enduring client relationships.

Products and services

Investors Group is regarded as a leader in personal financial planning in Canada. Consultants recommend balanced, diversified and professionally managed portfolios that reflect the client's goals, preferences and risk tolerance. They also look beyond investments to offer clients insurance products, banking services and mortgages.

PFP – PERSONAL FINANCIAL PLANNER

Investors Group's Personal Financial Planner (PFP) software handles a wide range of potential financial planning needs – from projections and illustrations for basic financial planning concepts to the preparation of written financial plans which integrate all disciplines of financial planning, including investment, tax, retirement, education and estate planning, as well as risk management. The PFP software continues to enhance the quality and professionalism of written financial plans prepared by Consultants.

SYMPHONY STRATEGIC INVESTMENT PLANNING™ PROGRAM

Symphony is Investors Group's strategic investment planning approach. Symphony is designed to provide a sophisticated investment discipline, backed by a process that provides a consistent methodology for measuring a client's risk tolerance. Consultants are then able to provide risk-adjusted recommendations using Investors Group's broad offering of funds.

Symphony's Portfolio Tuner helps Consultants rebalance clients' investment portfolios over time and automatically calculates and recommends transactions to implement or rebalance these portfolios. In 2006, Portfolio Tuner was enhanced to support our Consultants' ability to manage tax more efficiently when converting portfolios to Symphony. Portfolio Tuner usage was up by over 70% in 2006.

CHARITABLE GIVING PROGRAM™

On September 5, 2006, Investors Group Charitable Giving Program™ was introduced. This donor-advised giving program enables Canadians to make donations that support charities of their choice. One of only a few programs of its kind in Canada, the Investors Group Charitable Giving Program provides the opportunity for many Canadians to build an enduring charitable giving legacy that can be designated in memoriam to an individual or to a special cause. By making a tax deductible donation through this program, money will be granted to the charities of the donor's choice for years to come with considerably less expense and complexity than setting up and administering their own private foundation.

MUTUAL FUNDS

Investors Group is committed to enhancing the performance, scope and diversity of our investment offering with the introduction of new funds that are well-suited to both the market and the evolving needs of Canadian investors. To that end, fund launches this year focused on the growing capital and cash flow requirements of an aging population, areas of investment management strength and innovation.

FUND ENHANCEMENTS

A focus on income yield and capital growth for those Canadians nearing retirement led to the launch of Investors Global Dividend Fund in January of 2006, a fund which has attracted over \$462 million in assets over the course of the year. This fund was also added to the underlying mix of two Alto™ Monthly Income Portfolios.

In July, Investors Group launched two new growth mandates in both unit trust and Corporate Class versions: the Investors Canadian Growth Fund and the IG Mackenzie Maxxum Canadian Equity Growth Fund. Additionally, the new unit trust versions were incorporated into a select number of Investors Group's Alto™ and Allegro™ portfolio funds.

Investors Group changed the name of Investors Mortgage Fund to Investors Mortgage and Short Term Income Fund and modified the investment policy to include a broader set of fixed-term and liquid debt securities.

Investors Group merged the IG AGF International Bond Fund and the IG Templeton World Bond Fund into Investors Global Bond Fund, combining three small funds with similar investment objectives and strategies.

In August, Investors Group launched the Investors Greater China Fund in both unit trust and Corporate Class versions. These funds invest in equity securities of companies located in China, Hong Kong, Taiwan, and Singapore, and in companies that derive a significant portion of their revenues from the Greater China area.

INVESTMENT MANAGEMENT

Investors Group has over \$58 billion in mutual fund assets under management in 142 mutual funds covering a broad range of investment mandates.

Through our own international team of investment professionals and relationships with external investment advisors, we provide clients with access to a wide range of investment advisory services. Clients can take advantage of the opportunity to diversify their holdings across fund managers, asset categories, investment styles, geography, capitalization and sectors through portfolios customized to meet their objectives.

INVESTORS MASTERSERIES™ FUNDS

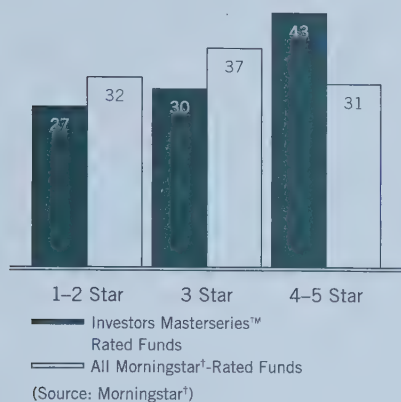
Investors Masterseries funds are managed by I.G. Investment Management, our own multi-disciplinary team of investment professionals with offices and advisors in North America, Europe, and Asia. Our global connections, depth of research and use of information technology provide us with investment management capabilities that enable us to offer our clients investment management expertise suitable for the widest range of investment objectives. I.G. Investment Management, Ltd. assumed the day-to-day portfolio management for Investors Tactical Asset Allocation Fund and the fund's annual management fee was reduced by 5 basis points.

The Investors Masterseries family of funds includes 45 unit trust funds and 29 Corporate Class funds available in multiple series. The 45 unit trust funds include money market, fixed income, balanced, domestic and international equity, global and sector mandates. As at December 31, 2006, total assets related to these unit trust funds and Corporate Class funds were \$49.9 billion compared with \$43.7 billion in 2005, an increase of 14.3%. Masterseries unit trust funds and Corporate Class funds represented approximately 86% of the total Investors Group mutual fund assets under management, relatively unchanged from a year ago.

At December 31, 2006, 43% of Investors Masterseries mutual funds had four or five star ratings from the Morningstar[†] fund ranking service and 73% had a rating of three stars or better, compared to 34% and 64% respectively at December 31, 2005. This compared

Morningstar[®] Ratings – Masterseries[™]

As at December 31, 2006
(% of funds)



to the Morningstar[®] universe of 31% for four and five star funds and 68% for three stars or better at December 31, 2006. Morningstar[®] Ratings are an objective, quantitative measure of a fund's three, five and ten year risk-adjusted performance relative to comparable funds.

PARTNER FUNDS

Partner funds provide a range of investment disciplines through advisory relationships with other investment management firms. Partner funds are comprised of 25 unit trust funds and 20 Corporate Class funds. Advisory relationships include investment managers such as AGF Funds Inc., Beutel, Goodman & Company, Ltd., Bissett Investment Management (an operating division of Franklin Templeton Investments Corp.), Camlin Asset Management Ltd., Fidelity Investments Canada Limited, Franklin Templeton Investments Corp., Goldman Sachs Asset Management, L.P. and Mackenzie.

Investors Group oversees external investment advisors who are responsible for ensuring that their activities are consistent with Investors Group's investment philosophy and with the stated investment objectives and strategies of the funds that they advise.

At December 31, 2006, partner unit trust funds and Corporate Class funds totalled \$7.7 billion or approximately 13% of Investors Group's mutual fund assets under management, compared with \$6.5 billion and similar proportion last year. Mackenzie currently provides investment advisory services for fourteen of the partner funds with total assets of \$2.6 billion.

MANAGED ASSET AND MULTI-MANAGER INVESTMENT PROGRAMS

Investors Group introduced Investors Group Corporate Class Inc., a broad tax advantaged fund structure, in 2002. This group of funds features the ability to switch on a fee-free basis among 49 funds within the group with no immediate tax consequences. The funds include 29 of Investors Group's own Masterseries funds advised by I.G. Investment Management as well as funds advised by external investment advisors. By the end of 2006, the Corporate Class funds had attracted \$1.7 billion in assets compared with \$1.1 billion in 2005.

Investors Group provides clients with access to a growing selection of asset allocation opportunities directed by a number of investment firms. These programs include:

- **Allegro[™] Portfolios:** The Allegro Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification. The seven portfolios include Investors Masterseries funds, Mackenzie partner funds as well as a wide variety of other partner funds. The asset mix of the Allegro portfolios was updated using the same strategic investment planning approach that was developed for the Symphony individual fund recommendations. Since their introduction in 2001, fund assets have grown to \$2.2 billion as of December 31, 2006 compared with \$1.6 billion in the previous year.
- **Alto[™] Portfolios:** The Alto Portfolios provide a single step investment solution offering geographic, investment style and asset class diversification. The ten portfolios include Investors Masterseries funds and Mackenzie partner funds. Assets in the portfolios grew to \$1.3 billion as of December 31, 2006 compared with \$666 million in 2005.
- **Masterseries[™] Portfolios:** These funds have assets of \$7.9 billion as at December 31, 2006, compared with \$7.2 billion in the previous year. The program is comprised of eight funds which invest in 21 underlying Masterseries funds to provide a high level of diversification.
- **iProfile[™]:** This is a unique portfolio management program introduced in 2001 for clients with assets over \$250,000. iProfile investment portfolios have been designed to maximize returns and manage risk by diversifying across asset classes, management styles and geographic regions. The program is advised by a

select group of 11 global money management firms such as Goldman Sachs Asset Management, Jarislowsky Fraser Limited, Waddell & Reed, J.P. Morgan and I.G. Investment Management, Ltd. By the end of 2006, this program had \$573 million in assets, compared with \$514 million in the previous year.

SEGREGATED FUNDS

Investors Group offers 22 segregated funds that are distributed solely by Investors Group Consultants. Our segregated funds provide death benefit guarantees and potential creditor protection. These funds also provide protection from long-term market volatility by providing two levels of guarantees – 75% or 100% of the principal invested. These products are underwritten by The Great-West Life Assurance Company (Great-West Life) and the investment components are managed by Investors Group.

In October 2006, Investors Group introduced fourteen new segregated funds to the Alto™ and Allegro™ portfolio lineup. Each new fund mirrors an already existing Alto or Allegro portfolio fund. With the new portfolios, clients can now choose from 22 Investors Group/Great-West Life segregated fund options.

Additionally, loan proceeds from a Solutions Banking Investment Loan or RSP Made Easier Application can now be invested into a client's Investors Group/Great-West Life segregated fund policy.

INSURANCE

Investors Group continues to be a leader in the distribution of life insurance in Canada. Through its arrangements with leading insurance companies, Investors Group offers a broad range of term, universal life, whole life, disability, critical illness, long-term care, personal health care coverage and group insurance. I.G. Insurance Services Inc. currently has distribution agreements with:

- The Great-West Life Assurance Company
- The Canada Life Assurance Company
- Sun Life Assurance Company of Canada
- The Manufacturers Life Insurance Company (Manulife)

The expertise and support available to our Consultants through these companies continues to add value in terms of integrating insurance into a client's overall financial plan.

During 2006, Investors Group strengthened its focus on insurance, introducing an enhanced insurance training program for both new and experienced Consultants. Investors Group continued to see increases in the licensing rates of new Consultants.

Sales of insurance products as measured by new annualized premiums were \$35 million. Total face amount of insurance in force in 2006 was \$41 billion. The average number of policies sold per licensed Consultant was 8.2 in 2006 compared with 8.6 in 2005. Distribution of insurance products is enhanced through insurance specialists throughout Canada who assist Consultants with the selection of insurance solutions.

SECURITIES OPERATIONS

Investors Group Securities Inc. is an investment dealer registered in all provinces and territories providing securities services to clients seeking a broader product offering in combination with financial and investment planning. Investors Group Consultants can refer clients to one of our securities specialists available through Investors Group Securities Inc.

During 2006, Investors Group Securities Inc. continued to strengthen its relationship with its carrying broker, MRS Securities Services Inc., a subsidiary of Mackenzie which began to provide intermediary services to Investors Group Securities Inc. in 2005. Similarly, Investors Group Financial Services Inc. strengthened its relationship with its carrying mutual fund dealer, M.R.S. Inc. These relationships are consistent with our strategy of capitalizing on economies of scale and using similar systems and processes where opportunities exist, while at the same time, preserving the integrity and privacy of each company's client base.

Working together with the MRS group of companies, several service enhancements were implemented in 2006, including an improved account statement package for clients, a redesigned Advisor Access account information system for Consultants and the availability of electronic asset transfers through the ATON (Account Transfer Online Notification) system which eliminates the exchange of paper between participating institutions and reduces transfer time.

Also during the year, four new securities specialist positions were added to support our continued growth in the greater Vancouver, Edmonton, Toronto and Montreal areas.

At December 31, 2006, assets under administration in Investors Group Securities Inc. were \$1.3 billion, while assets under administration at IG-MRS were \$4.0 billion. The assets gathered by Investors Group Securities Inc. during 2006 were \$1.0 billion, compared to \$914 million in 2005.

Management believes that securities and third-party mutual fund accommodation will continue to be important to assist Consultants to attract clients and maintain relationships with investors who wish to include individual securities and third-party funds as a part of their overall financial plan. We are making preparations to enable some Consultants to be IDA licensed under Investors Group Securities Inc. beginning in 2007. Our focus on financial planning and managed assets will continue in both the MFDA and IDA environments.

MORTGAGE OPERATIONS

Investors Group Consultants refer clients who are seeking residential mortgages to Investors Group mortgage planning specialists who originate mortgages in key residential markets.

In 2006, Investors Group continued to offer a competitively priced mortgage offering, which was well-received by Consultants and clients. The dollar value of mortgage originations increased by 3.6% to \$993 million from \$958 million in 2005.

Through its mortgage banking operations, mortgages are sold to third parties, including securitization trusts, or placed with Investors Mortgage and Short Term Income Fund or Investors Group's intermediary operations. Investors Group also provides the ongoing servicing of these mortgages.

SOLUTIONS BANKING[†]

Investors Group's Solutions Banking[†] initiative continues to experience increased rates of utilization with Consultants and clients. As at December 31, 2006, 92.1% of Investors Group Consultants have incorporated Solutions Banking[†] into their financial planning practices with one or more products sold.

The offering consists of a wide range of products and services provided by National Bank of Canada under a long-term distribution agreement, and includes: investment loans, lines of credit, personal loans, creditor insurance, deposit accounts and credit cards. Clients have access to over 2,000 banking machines, as well as a private labeled client website and private labeled client service centre.

The Solutions Banking[†] offering supports Investors Group's approach to delivering total financial solutions for our clients via a broad financial planning platform.

ADDITIONAL PRODUCTS AND SERVICES

Investors Group also provides its clients with guaranteed investment certificates offered by Investors Group Trust Co. Ltd., as well as a number of other financial institutions.

Review of Segment Operating Results

Investors Group's earnings from operations before interest and taxes for the year ended December 31, 2006 compared with 2005 are presented in Table 6.

TABLE 6: OPERATING RESULTS – INVESTORS GROUP

(\$ millions)	2006	2005	CHANGE
Fee and net investment income			
Management	\$ 1,046.2	\$ 921.0	13.6%
Administration	181.4	166.7	8.8
Distribution	115.7	113.8	1.7
Net investment income and other	146.0	126.4	15.5
	1,489.3	1,327.9	12.2
Operating expenses			
Commissions	186.9	148.0	26.3
Asset retention bonus and premium	205.6	178.5	15.2
Non-commission	273.9	265.5	3.2
	666.4	592.0	12.6
Earnings before interest and taxes	\$ 822.9	\$ 735.9	11.8%

FEE INCOME

Fee income is generated from the management, administration and distribution of 142 Investors Masterseries™, partner and managed asset investment funds. The distribution of insurance and banking products and the provision of securities services provide additional fee income.

Total fee income increased by \$141.8 million to \$1.3 billion, an increase of 11.8% from 2005. Fee income is driven primarily by the level and composition of mutual fund assets under management which are influenced by several factors including: sales, redemptions, transfers and investment returns. Fee income represented 90.2% of gross revenue in 2006, compared with 90.5% in 2005. The changes in mutual fund assets under management in 2006 compared with 2005 are reflected in Table 7.

Investors Group's mutual fund assets under management were \$58.2 billion at December 31, 2006, an increase of \$7.5 billion or 14.8% from December 31, 2005. The increase in assets from December 31, 2005 reflects net market appreciation of \$6.2 billion and net sales of mutual funds totalling \$1.3 billion as discussed above.

For the year ended December 31, 2006, sales of Investors Group mutual funds through its Consultant network were \$6.2 billion, an increase of 12.8% from 2005. Mutual fund redemptions totalled \$4.8 billion for the same period, an increase of 2.9% from \$4.7 billion in 2005. Investors Group's twelve month trailing redemption rate for long-term funds decreased to a record low of 7.9% at December 31, 2006 from 8.7% at December 31, 2005, and remains below the corresponding average redemption rate of approximately 15.6% for all other members of the Investment Funds Institute of Canada (IFIC). Net sales of Investors Group mutual funds were \$1.3 billion in 2006 compared with net sales of \$778 million in 2005, an increase of 73.0%. Sales of long-term funds were \$5.2 billion in 2006, compared with \$4.6 billion in 2005, an increase of 13.8%. Net sales of long-term funds were \$1.0 billion compared to net sales of \$529 million in 2005, an increase of 90.1%.

Investors Group earns management fees for investment management services provided to its mutual funds. In 2006, management fee income increased by \$125.2 million to \$1,046.2 million reflecting the increase of 13.7% in average daily mutual fund assets in 2006 compared with 2005. Management fee income represents 195 basis points of average daily mutual fund assets in 2006, unchanged from 2005.

TABLE 7: CHANGE IN MUTUAL FUND ASSETS UNDER MANAGEMENT – INVESTORS GROUP

(\$ millions)	2006	2005	CHANGE
Sales	\$ 6,190.1	\$ 5,487.6	12.8%
Redemptions	4,844.7	4,709.8	2.9
Net sales	1,345.4	777.8	73.0
Market and income	6,169.4	5,413.4	14.0
Net change in assets	7,514.8	6,191.2	21.4
Beginning assets	50,701.0	44,509.8	13.9
Ending assets	\$ 58,215.8	\$ 50,701.0	14.8%
Consists of:			
Investors Masterseries™ funds	\$ 49,910.3	\$ 43,657.6	14.3%
IG Mackenzie partner funds	2,564.9	2,144.2	19.6
Partner funds	5,167.3	4,385.1	17.8
iProfile™ funds	573.3	514.1	11.5
	\$ 58,215.8	\$ 50,701.0	14.8%
Average daily assets	\$ 53,575.5	\$ 47,137.9	13.7%

Investors Group receives administration fees for providing administrative services to its mutual funds through certain of its subsidiaries and trusteeship services to its unit trust mutual funds through Investors Group Trust Co. Ltd. Administration fees totalled \$181.4 million in 2006, up 8.8% from \$166.7 million in 2005 primarily due to increases in trustee fees and other service fees resulting from the growth in average mutual fund assets. Administrative fee income related to the provision of administrative services to its mutual funds declined marginally in 2006.

Distribution fees are earned from:

- Redemption fees on mutual funds sold with a back-end load feature.
- Distribution of insurance products through I.G. Insurance Services Inc.
- Securities trading services provided through Investors Group Securities Inc.
- Banking services provided through Solutions Banking[†], an arrangement with the National Bank of Canada.

Distribution fee income of \$115.7 million in 2006 increased by 1.7% from \$113.8 million in 2005. Distribution fee income for securities and banking services and insurance products increased in 2006. In 2005 there was additional revenue related to the restructuring of Investors Group's insurance distribution agreements. Redemption fee income of \$33.4 million increased by \$2.1 million due to both higher redemptions subject to deferred sales charges in 2006 compared to 2005 and a higher amount of assets subject to the industry standard deferred sales charge schedule which Investors Group introduced in 2003.

NET INVESTMENT INCOME AND OTHER

Net investment income and other includes interest and dividends earned on cash and cash equivalents, securities and mortgage loans. It also includes gains and losses on the sale of securities, Investors Group's share of earnings of Great-West Lifeco Inc. (GWL), as well as income related to mortgage banking activities. Investors Group measures net investment income as the difference between investment income and interest expense. Interest expense includes interest on deposit liabilities, certificates and debt incurred to finance Investors Group's investment in GWL.

Net investment income and other totalled \$146.0 million in 2006, an increase of \$19.6 million or 15.5% from \$126.4 million in 2005. Increases in revenues related to mortgage banking activities, gains on the sale of securities and Investors Group's share of GWL's earnings were offset in part by decreases in other income. Other income in 2005 included the recovery of prior years' commodity taxes paid and a reduction in provisions established for the exit of certain activities.

OPERATING EXPENSES

Investors Group incurs commission expense in connection with the distribution of its financial services and products, particularly its mutual funds. Commissions are paid on the sale of these products and will fluctuate with the level of sales. Commission expense was \$186.9 million in 2006, an increase of \$38.9 million from \$148.0 million in 2005. The increase in commission expense was due to:

- Increase in amortization of commissions totalling \$29.7 million in 2006 related to prior year sales. This increase reflects the impact from the change in estimate, effective April 1, 2001, which increased the term of amortization on mutual fund sales commissions to 72 months.
- Increase in amortization of commissions of \$2.5 million related to higher commission payments in 2006 compared with 2005. The increase in commission payments results from higher mutual fund sales.
- Increases of \$6.7 million in other compensation related to mutual fund operations, insurance, mortgage and banking products due to higher sales.

The asset retention bonus (ARB) and premium (ARP) expenses, which are based on the level of mutual fund assets under management, are comprised of the following:

- ARB which is paid monthly and is based on the value of assets under management. ARB expense increased by \$21.2 million in 2006 as a result of the increase in assets under management.
- Asset retention premium (ARP) which is a deferred component of compensation designed to promote Consultant retention. ARP expense, which is related to assets under management at each year-end, increased by \$5.9 million to \$28.3 million.

Non-commission expenses increased \$8.4 million or 3.2% to \$273.9 million in 2006 compared with \$265.5 million in 2005. Non-commission expenses include costs incurred by Investors Group related to the administration of its mutual funds. Non-commission expenses also include Consultant network support costs and expenses related to the marketing and management of its mutual funds and other products as well as other operating expenses.

Non-commission expenses in 2006 also included a reduction in expenses of \$4.6 million arising from a change in estimate related to credit losses on the Company's mortgage banking operations recorded in the third quarter of 2006.

Non-commission expenses in 2005 included a reduction in expenses of \$1.7 million in the first quarter arising from a change in estimate related to credit losses on Consultant financing programs, as well as a reduction in expense of \$3.5 million in the fourth quarter arising from a change in estimate related to client claims settlements.

Mackenzie

Review of the Business

Founded in 1967, Mackenzie continues to build an investment advisory business through proprietary investment research and portfolio management while utilizing strategic partners in a selected subadvisory capacity. Its diversified retail distribution network continues to expand with independent financial advisors, and more recently its distribution has grown dramatically in the subadvisory, investment advisory and high net worth markets in North America.

The company is dedicated to providing its clients with high quality, innovative investment solutions and strives to maintain strong long-term investment performance across its multiple product offerings. Under the Mackenzie banner, it deploys a sub-branding strategy

that includes Cundill, Focus, Ivy, Maxxum, Sentinel and Universal. Each sub-brand reflects a distinct investment style or asset category focus. Mackenzie also provides asset allocation and managed-product investment solutions through the Keystone, Star and Symmetry brands.

Mackenzie sells its investment products and expertise through a growing and sophisticated sales network. Today Mackenzie's wholesale teams work with many of the more than 30,000 independent financial advisors across Canada. To support sales into institutional and specialty markets Mackenzie also deploys specialty teams in high net worth, group plans, lending products, structured products and institutional sales.

ASSETS UNDER MANAGEMENT

Mackenzie's total assets under management at December 31, 2006 were \$61.5 billion, an increase of \$11.6 billion or 23.4% from \$49.9 billion at December 31, 2005. Mackenzie's mutual fund assets under management were \$46.6 billion at December 31, 2006, an increase of \$5.0 billion or 12.0% from \$41.6 billion at December 31, 2005. Mackenzie's institutional account assets at December 31, 2006 were \$14.8 billion, an 83.7% increase from \$8.1 billion last year. As well, Mackenzie's structured

products totalled \$140 million at December 31, 2006, a decrease of \$62.5 million as compared to December 31, 2005. Monthly average total assets under management, which are generally more indicative of trends in revenue for providing investment management services than the year over year change in ending assets under management, increased 18.4% during 2006 as compared to last year. The changes in assets under management are summarized in Table 9.

TABLE 8: ASSETS UNDER MANAGEMENT – MACKENZIE

(\$ millions)	2006	2005	CHANGE
Mutual Funds	\$ 46,600.1	\$ 41,592.0	12.0%
Institutional Accounts			
Subadvisory	12,507.4	7,552.9	65.6
Investment advisory	1,600.2	505.5	216.6
High net worth	692.8	—	N/M
	14,800.4	8,058.4	83.7
Structured Products	140.0	202.5	(30.9)
Total	\$ 61,540.5	\$ 49,852.9	23.4%
Daily average mutual fund assets	\$ 43,473.9	\$ 38,940.6	11.6%
Monthly average total assets	\$ 54,456.5	\$ 46,011.1	18.4%

TABLE 9: CHANGES IN ASSETS UNDER MANAGEMENT – MACKENZIE

(\$ millions)	2006	2005	CHANGE
Sales	\$ 11,712.6	\$ 11,095.5	5.6%
Redemptions	9,479.3	7,635.8	24.1
Net sales	2,233.3	3,459.7	(35.4)
Assets acquired	3,291.7	–	N/M
Net new money	5,525.0	3,459.7	59.7
Market and income	6,162.6	4,055.1	52.0
Net change in assets	11,687.6	7,514.8	55.5
Beginning assets	49,852.9	42,338.1	17.7
Ending assets	\$ 61,540.5	\$ 49,852.9	23.4%

In 2006, Mackenzie's gross sales were \$11.7 billion, an increase of 5.6% from \$11.1 billion in 2005. Redemptions in the current year were \$9.5 billion as compared to redemptions of \$7.6 billion in 2005.

Redemptions of long-term mutual funds in 2006 were \$6.4 billion as compared to redemptions of \$5.6 billion in 2005. As at December 31, 2006, Mackenzie's twelve-month trailing redemption rate for long-term funds was 15.2%, as compared to 14.8% last year. The average twelve-month trailing redemption rate for long-term funds for all other members of IFIC declined to approximately 14.8% at December 31, 2006 from 15.7% last year. Mackenzie's twelve-month trailing redemption rate is comprised of the weighted average redemption rate for front-end load assets, deferred sales charge and low load units with redemption fees, and matured deferred sales charge units without redemption fees (matured units). Generally, redemption rates are higher than the average for front-end load units and matured units. Mackenzie's twelve-month trailing redemption rate for long-term funds increased primarily due to an increased absolute dollar value of matured unit assets under management in 2006 as compared to last year.

Net sales for the year ended December 31, 2006 were \$2.2 billion, as compared to net sales of \$3.5 billion last year.

On September 22, 2006, Mackenzie acquired the assets of the Cundill Group, resulting in the addition of \$3.3 billion to its assets under management as of the acquisition date. That \$3.3 billion has grown to \$3.6 billion as of year-end and is reflected in Mackenzie's total assets under management.

During 2006, net market appreciation resulted in assets increasing by \$6.2 billion as compared to an increase of \$4.1 billion last year.

INSTITUTIONAL AND SUBADVISORY BUSINESS

Mackenzie's investment management expertise has attracted investment mandates from a broad institutional distribution network. Mackenzie has increased its participation in the product platforms of major chartered banks, insurance companies and in the product offerings of Investors Group, Investment Planning Counsel and other members of the Power Financial group of companies.

In partnership with Waddell & Reed, Mackenzie is now investment advisor on the largest actively managed diversified natural resource equity fund in the United States and along with the Cundill team, provide subadvisory services on \$6.5 billion of assets in Waddell & Reed mutual funds.

In the third quarter of 2006, Mackenzie acquired the assets of the Cundill Group, which added \$3.3 billion in assets under management. The addition of the Cundill Group is an important component of Mackenzie's longer-term institutional account strategy to provide investment management through multiple distribution channels that include subadvisory, investment advisory, and high net worth accounts.

INVESTMENT MANAGEMENT

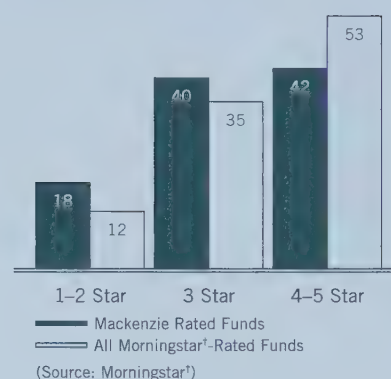
Mackenzie's mutual fund assets under management are diversified by investment objective as set out in Table 10. This has proven to be and continues to be a core focus of the organization to develop broad investment capabilities to respond to the ever-changing economic environment within Canada. Consistent with a marketing focus of the organization over the last 12 months, foreign assets under management have increased substantially year over year in the equity, balanced and money market sectors as investors continue to look for global exposure in their portfolios.

Long-term investment performance is a key measure of the company's ongoing success. At December 31, 2006, 82% of Mackenzie's mutual fund assets measured by the Morningstar¹ fund ranking service had three, four or five star ratings as compared to 91% for three, four and five star funds at December 31, 2005.

Over the past year the natural resources sector was one of the main drivers of the S&P/TSX index return of 17.3%. Many of Mackenzie's Canadian equity and balanced mutual funds were underweight this sector. As a result, the relative ranking of the Mackenzie mutual

Morningstar¹ Ratings – Mackenzie

As at December 31, 2006
(% of assets)



funds compared to industry competitor investment returns decreased year over year, resulting in a lesser percentage of Mackenzie's assets under management being rated three, four or five stars in the current year versus the prior year.

TABLE 10: ASSETS UNDER MANAGEMENT BY INVESTMENT OBJECTIVE – MACKENZIE

(\$ millions)	2006		2005	
Equity				
Domestic	\$ 19,829.5	32.2%	\$ 19,169.9	38.4%
Foreign	25,327.2	41.2	15,343.1	30.8
	45,156.7	73.4	34,513.0	69.2
Balanced				
Domestic	10,838.4	17.6	10,570.3	21.2
Foreign	1,048.8	1.7	731.7	1.5
	11,887.2	19.3	11,302.0	22.7
Fixed Income				
Domestic	2,647.3	4.3	2,461.3	5.0
Foreign	88.0	0.1	112.3	0.2
	2,735.3	4.4	2,573.6	5.2
Money Market				
Domestic	1,565.4	2.6	1,408.2	2.8
Foreign	195.9	0.3	56.1	0.1
	1,761.3	2.9	1,464.3	2.9
Total	\$ 61,540.5	100.0%	\$ 49,852.9	100.0%

Mackenzie's investment performance in the global equity and global balanced categories was strong, with 83% of its assets in these categories being rated three, four or five stars for the year by Morningstar. Mackenzie's Cundill funds maintained their long-term track records in 2006 with all funds in the group posting positive returns, and all ending the year with a three-star or better rating from Morningstar. Mackenzie Cundill Value Fund was the top selling global equity fund in Canada during 2006, and was recognized as best Global Equity Fund at the 2006 Canadian Investments Awards. This fund ended the year with \$6.6 billion in assets, up from \$4.3 billion a year earlier. In addition, Mackenzie Cundill Recovery Fund, recognized as best Global Equity Fund at the 2005 Canadian Investment Awards, was closed to new investments on April 7, 2006 after the investment management team concluded that finding incremental investment opportunities consistent with the fund's mandate had become increasingly difficult. This negatively impacted sales of long-term funds in the second half of 2006.

Under the Universal brand, the Mackenzie Universal Sustainable Opportunities Class, a global fund that invests in firms deemed to have ethical business practices, was one of Mackenzie's top performing global equity funds, finishing the year up 23.6%. A number of other Universal funds were also among performance leaders, finishing the year in the first quartile based on one year investment performance in their respective categories in 2006, including: Mackenzie Universal Global Future Fund, Mackenzie Universal World Growth RRSP Fund, Mackenzie Universal World Real Estate Class, Mackenzie Universal U.S. Blue Chip Class, Mackenzie Universal American Growth Class. Gross sales in the Universal funds improved 49% over the prior year to \$751 million.

Mackenzie is recognized as a leader in natural resource and precious metals investing, both in Canada and in the U.S. and the Mackenzie Universal Canadian Resource Fund, the largest natural resource fund in Canada, had \$1.2 billion in assets at December 31, 2006 compared to \$1.0 billion a year earlier. Investment per-

formance within the precious metals and natural resources funds remained strong with the Mackenzie Universal Precious Metals Fund and the Mackenzie Universal Canadian Resource Fund delivering 49.2% and 18.3% respectively in 2006.

The Ivy funds continued to experience net outflows, however all delivered positive returns to investors over the course of 2006, relatively consistent with their historical investment returns since inception. Nonetheless, in comparison to other competing funds, the performance of Ivy's Canadian portfolios was affected by the continuing rally in resource and cyclical stocks that started in 2003, sectors in which the Ivy funds continue to be underweight. The more globally oriented Ivy portfolios improved during the year, with returns of 16.0% on the Mackenzie Ivy Foreign Equity Fund, 26.3% on the Mackenzie Ivy European Class and 14.9% on the Mackenzie Ivy Global Balanced Fund.

PRODUCTS

Mackenzie continued its tradition of innovation in 2006, providing investors with a broadening group of funds and services to meet growing client demand for income oriented product and increased international exposure. New products launched this year included the Mackenzie Charitable Giving Fund, Mackenzie Founders Fund, Mackenzie Sentinel Diversified Income Fund and Mackenzie Universal U.S. Dividend Income Fund.

The Mackenzie Charitable Giving Fund allows investors to work with their financial advisor to create a donor-advised account to make donations that support charities of their choice. One of only a few programs of its kind in Canada, the Mackenzie Charitable Giving Fund provides the opportunity for many Canadians to build an enduring charitable giving legacy. By making a tax deductible donation through this program, money will be granted to the charities of their choice for years to come with considerably less expense and complexity than setting up and administering their own private foundation.

Mackenzie Founders Fund brings together four funds representing the legacy of the organization: Mackenzie Growth Fund, Mackenzie Cundill Value Fund, Mackenzie Ivy Foreign Equity Fund and Mackenzie Maxxum Dividend Fund into one fund. Each was selected on the basis of its successful long-term track record as a founding fund within its respective brand and by how its investment style complements the other funds.

To further diversify and expand the Sentinel brand's position as a source of income solutions for investors, the Mackenzie Sentinel Diversified Income Fund was launched to provide clients with diversified portfolio exposure to Canadian and U.S. dividend paying stocks, Canadian income trusts, high yield corporate bonds and Canadian government bonds through a fund of funds structure.

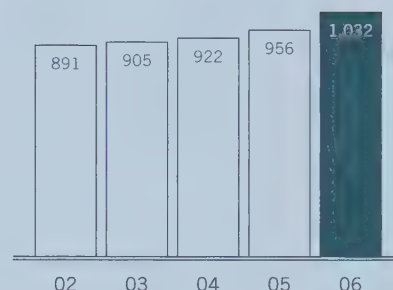
As well, Mackenzie also responded to the growing demand for diversified income products with the launch of Mackenzie Universal U.S. Dividend Income Fund with U.S. based Waddell & Reed acting as sub-advisor. This fund is modeled after a dividend fund offered by Waddell & Reed in the U.S.

Investors continued to look to mutual funds and other investment products to enhance income yields, particularly after the changes to the income trust tax rules announced in October. Mackenzie continues to adjust its offerings to respond to the evolving investor needs related to income with new products specifically designed to provide steady cash flow and address the retirement needs of an aging population. In June, the Mackenzie Cundill Value Fund, Mackenzie Maxxum Dividend Fund and the U.S. dollar versions of the Mackenzie Cundill Value Fund, Mackenzie Cundill Global Balanced Fund and Mackenzie Ivy Global Balanced Fund had T-Series units added to their offering. T-Series units have a fixed annual rate of distribution from income earned and return of capital that is paid monthly.

Symmetry, Mackenzie's multi-manager pooled wrap program, experienced a 17% increase in assets to total \$581 million at December 31, 2006. Symmetry combines strategic asset allocation with input from a client's financial advisor to provide investment portfolio customization, tailored for the risk profile of the investor.

MRS Group Investor Accounts Under Administration

As at December 31 (thousands)



DEALER, TRUST AND ADMINISTRATION SERVICES

Mackenzie continues to provide products and services to dealers, financial advisors and their respective clients through its subsidiaries. M.R.S. Trust Company, a federally regulated trust company, provides loan and deposit products to financial advisors for their clients. M.R.S. Inc. is the largest mutual fund carrying dealer in Canada and is a member of the Mutual Fund Dealers Association (MFDA) of Canada. M.R.S. Securities Services Inc. is a carrier for investment dealers and a discount broker for referred investors and an Investment Dealers Association member firm. M.R.S. Correspondent Corporation is an Autorité des marchés financiers regulated dealer operating in Quebec. Winfund Software Corp. is one of the largest providers of dealer and advisor software for distributors of mutual funds and insurance in Canada.

Review of Segment Operating Results

Mackenzie's earnings from operations before interest and taxes for the year ended December 31, 2006 compared with 2005 are presented in Table 11.

TABLE 11: OPERATING RESULTS – MACKENZIE

(\$ millions)	2006	2005	CHANGE
Fee and net investment income			
Management	\$ 771.7	\$ 691.3	11.6%
Administration	130.6	138.0	(5.4)
Distribution	31.8	34.0	(6.5)
Net investment income and other	27.1	19.0	42.6
	961.2	882.3	8.9
Operating expenses			
Commissions	159.8	154.3	3.6
Trailer fees	210.6	185.6	13.5
Non-commission	267.5	258.9	3.3
	637.9	598.8	6.5
Earnings before interest and taxes	\$ 323.3	\$ 283.5	14.0%

FEE AND NET INVESTMENT INCOME

Mackenzie's management fee revenues are earned from services it provides as fund manager to the Mackenzie mutual funds and as investment advisor to institutional accounts.

The majority of Mackenzie's mutual funds are distributed on a retail priced basis, however, it also offers various series of these funds with management fees that are designed for fee-based programs, large accounts and third party investment programs offered by banks, insurance companies and investment dealers. In these programs, Mackenzie does not pay trailing commissions or selling commissions. At December 31, 2006, there were \$6.7 billion of mutual fund assets in these series of the funds, as compared to \$4.9 billion at December 31, 2005.

Management fees were \$771.7 million for the year ended December 31, 2006, an increase of \$80.4 million or 11.6% from \$691.3 million last year. Management fee income represents 141.7 basis points of average monthly assets in 2006, a decrease of 8.5 basis points from 150.2 basis points in 2005. The increase in management fees was consistent with the 18.4% growth in Mackenzie's average monthly assets under management from \$46.0 billion in 2005 to \$54.5 billion in the current year and the decline in its average management fee rate. The decrease in the average management fee rate is due to the

higher growth in Mackenzie's institutional accounts and non-retail priced mutual funds relative to the growth in its retail priced mutual funds as institutional and non-retail priced funds have lower management fees. In addition, changes in asset mix within Mackenzie's sub-brands also impacts average management fee rates.

Administration fees include the following main components:

- Operating expenses recovered from Mackenzie mutual funds and structured products.
- Asset allocation fees.
- Trustee and other administration fees generated from the MRS account administration business.

Administration fees were \$130.6 million for the year ended December 31, 2006, a decrease of \$7.4 million from \$138.0 million in 2005.

The decrease in administration fees was due to:

- Decline in fees for administering the VenGrowth labour sponsored funds. VenGrowth terminated their administration agreement with Mackenzie effective November 2005.
- Decline in counterparty revenue as a result of the elimination of the foreign property rules applicable to registered plans in July 2005 and Mackenzie's decision to discontinue this product offering.

Mackenzie earns distribution fee income on redemptions of mutual fund units sold on a deferred sales charge basis and on a low load basis. Distribution fees charged for deferred sales charge assets range from 5.5% in the first year and decrease to zero after seven years. Distribution fees for low load assets range from 3.0% in the first year and decrease to zero after three years. Distribution fee income in 2006 was \$31.8 million, a decrease of \$2.2 million from \$34.0 million last year. Although the total level of redemptions increased during the current year relative to last year, the decline in distribution fee income was due to a year over year decline in the absolute level of redemption of units that are subject to a redemption fee.

The most significant component of net investment income and other is the net interest margin from M.R.S. Trust Company's lending and deposit-taking operations. Net investment income in 2006 was \$27.1 million, an increase of \$8.1 million as compared to \$19.0 million in 2005. Increases in M.R.S. Trust Company's loan portfolio, rising interest rates and gains realized at Mackenzie in the current year on the disposition of investments in proprietary mutual funds accounted for this increase. The gains realized on the disposition of investments in proprietary mutual funds in the prior year were not significant.

OPERATING EXPENSES

Mackenzie's operating expenses were \$637.9 million for the year ended December 31, 2006, an increase of \$39.1 million or 6.5% from \$598.8 million last year.

Mackenzie pays selling commissions to the dealers that sell its mutual funds on a low load and deferred sales charge basis. Commission expense, which represents the amortization of selling commissions, was \$159.8 million in the year ended December 31, 2006 as compared to \$154.3 million last year. Mackenzie amortizes selling commissions over three years from the date of original purchase of the applicable low load units and over a maximum period of seven years from the date of original purchase of the applicable deferred sales charge units.

Trailing commissions paid to dealers are calculated as a percentage of assets under management and vary depending on the fund type and whether the fund was purchased on a front-end basis, a deferred sales charge basis or on a low load basis. Trailing commissions are generally not paid on non-retail series of mutual funds and institutional assets.

Trailing commissions paid to dealers were \$210.6 million in 2006, an increase of \$25.0 million or 13.5% from \$185.6 million last year. The increase in trailing commissions is due to the year over year growth in average mutual fund assets under management and the increase in the average trail commission rate. Trailing commissions as a percentage of average mutual fund assets under management increased to 0.484% in the current year as compared to 0.477% last year. The increase in the average trail commission rate is attributed to an increase in the relative proportion of Mackenzie's mutual fund assets that were purchased on a front-end basis as opposed to a deferred sales charge basis.

Non-commission expenses increased \$8.6 million or 3.3% to \$267.5 million in the current year from \$258.9 million last year. A component of the non-commission expenses incurred by Mackenzie is related to the administration of its mutual funds. The remaining non-commission expenses relate to costs incurred by Mackenzie in the marketing and management of its mutual funds and in its account administration and trust company businesses. The increase in non-commission expenses is due, in part, to Mackenzie's acquisition of the Cundill Group in the third quarter of 2006.

IGM Financial Inc.

Consolidated Financial Position

IGM Financial's on-balance sheet assets totalled \$7.33 billion at December 31, 2006, compared to \$6.81 billion at December 31, 2005.

SECURITIES

The Company's securities holdings were \$142.3 million at December 31, 2006, a decrease of \$35.7 million or 20.0% from 2005. The fair value of the Company's portfolio at December 31, 2006 exceeded cost by \$96.0 million compared with \$123.7 million at December 31, 2005. Derivative financial instruments designated as cash flow hedges and utilized by the Company to manage market risk on its securities portfolio reduced unrealized gains in the securities portfolio by \$42.6 million at December 31, 2006 compared with \$28.2 million at December 31, 2005. The fair value of the Company's securities holdings, net of cash flow hedges, exceeded cost by \$53.4 million at December 31, 2006 compared with \$95.5 million at December 31, 2005.

Market Risk Management

IGM Financial adheres to an Investment Policy that outlines the objectives, constraints and parameters relating to its investing activities. This policy prescribes limits around the quality and concentration of investments held by the Company. Management regularly reviews the Company's investments to ensure all activities are in adherence to the Investment Policy, and regularly reviews the portfolio to identify holdings where there has been an other than temporary decline in value. In these circumstances, the carrying amount of the security is written down to recognize the loss. In addition, from time to time the Company manages risk relating to its securities investments by using a variety of derivative financial instruments. Additional information on the Company's utilization of derivative contracts can be found in the Off-Balance Sheet Arrangements section of this MD&A and in Notes 1 and 15 of the Consolidated Financial Statements.

LOANS

Loans, including mortgages and personal loans, decreased by \$24.2 million to \$488.8 million at December 31, 2006 and represent 6.7% of total assets compared to 7.5% in 2005. Residential mortgage loans related to the Company's mortgage banking operations decreased by \$26.7 million. In the Company's intermediary operations, personal loans increased by \$35.6 million while residential mortgage loans decreased by \$33.6 million.

Residential mortgage loans originated by Investors Group are funded through sales to third parties, including securitization trusts, on a fully serviced basis and through placements to the Investors Mortgage and Short Term Income Fund and the Company's intermediary operations.

M.R.S. Trust Company sources mortgage loans through mortgage brokers and personal loans through financial advisors. These loans are funded primarily through the Company's intermediary activities, and in certain instances are sold to third parties (including securitization trusts) on a fully-serviced basis.

Credit Risk Management

At December 31, 2006, impaired loans totalled \$0.4 million compared to \$1.0 million at December 31, 2005, and represented 0.09% of the total loan portfolio, compared with 0.19% at December 31, 2005. The general allowance for credit losses was \$7.7 million at December 31, 2006 compared to \$8.2 million in 2005. The Company monitors its credit risk management policies continuously to evaluate their effectiveness. The Company also periodically reviews the credit quality of the loan portfolios and the adequacy of the related general allowance. In 2005, the Company reduced its general allowance by \$10.0 million due to the elimination of a provision established as a result of a previous acquisition and reported the reversal in Net Investment Income and Other in the Corporate and Other segment. This reduction reflected changes in the size and composition of the portfolios, improving default trends, and continued improvement in underwriting and default management policies and procedures. These policies and practices have resulted in the effective risk management of impaired loans.

During 2006, management continued its policy of maintaining adequate allowances to absorb all known and foreseeable credit-related losses in the mortgage, loan, and real estate portfolios. The allowance for credit losses of \$7.7 million at December 31, 2006 exceeded impaired mortgages and loans by \$7.3 million.

As at December 31, 2006:

- The mortgage portfolios were 99% residential and 74% insured.
- The mortgage portfolios were in excess of 80% owner occupied.
- Mortgages in the portfolios were geographically diverse.
- Strict credit risk management policies continue to be applied.

The characteristics of the mortgage portfolios at December 31, 2006 described above are consistent with prior years.

Consolidated Liquidity and Capital Resources

LIQUIDITY

IGM Financial's operating liquidity is required for:

- Financing ongoing operations, including the funding of selling commissions.
- Temporarily financing mortgages in its mortgage banking facility.
- Meeting regular interest and dividend obligations related to long-term debt and preferred shares.
- Payment of quarterly dividends on its outstanding common shares.
- Maintaining liquidity requirements for regulated entities.
- Financing common share repurchases related to the Company's normal course issuer bid.

As well, a portion of cash and cash equivalents and loans relate to the Company's deposit operations. At December 31, 2006, deposits and certificates totalled \$777.5 million compared to \$692.8 million at December 31, 2005.

A key liquidity requirement for the Company is the funding of commissions paid on the sale of mutual funds. Commissions paid continue to be fully funded through ongoing cash flow from operations.

The Company also maintains sufficient liquidity to fund and temporarily hold mortgages. Through its mortgage banking operations, most of the mortgages are sold to third parties, including securitization trusts, or placed with Investors Mortgage and Short Term Income Fund on a fully serviced basis. In order to effectively manage its overall liquidity, the Company is active in both the whole loan sale and securitization markets. During 2006, whole loan sales to third parties totalled \$467.0 million and proceeds from securitizations were

\$1,301.5 million, compared with \$372.4 million and \$251.0 million respectively in 2005.

IGM Financial continues to generate significant cash flows from its operations. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled \$1,535.3 million for 2006 compared to \$1,365.5 million in 2005, and represents an increase of 12.4%.

In addition to IGM Financial's current balance of cash and cash equivalents in excess of the operating liquidity requirements described above, other potential sources of liquidity include the Company's portfolio of securities and lines of credit. The Company maintains operating lines of credit totalling \$210 million with various Schedule A Canadian chartered banks, of which \$50 million represented committed lines of credit. IGM Financial's demonstrated ability to raise funds in domestic debt and equity markets is also a source of liquidity.

Cash Flows

Table 12 – Cash Flows is a summary of the Consolidated Statements of Cash Flows which form part of the Consolidated Financial Statements for the year ended December 31, 2006.

Operating activities, before payment of commissions, generated \$1,032.4 million during the year ended December 31, 2006, as compared to \$941.5 million in 2005. Cash commissions paid were \$344.7 million in 2006 compared with \$337.4 million in 2005. While mutual fund sales increased approximately 7% in 2006 compared with 2005, the overall increase in commissions paid was 2.2% reflecting an increase in the relative proportion in mutual funds assets purchased on a front-end basis as opposed to a deferred sales charge basis.

Financing activities during the year ended December 31, 2006 compared to the same period in 2005 related primarily to:

- A net increase of \$84.7 million in deposits and certificates in 2006 compared to a net decrease of \$18.2 million in 2005. The net increase in 2006 related primarily to changes in demand deposit levels and the net decrease in 2005 resulted from decreases in term deposit levels offset in part by increases in demand deposits.
- The repayment on maturity of the \$25.0 million note payable to Power Financial Corporation.
- Proceeds received on the issuance of common shares under the Company's stock option program of \$13.2 million in 2006 compared with \$9.2 million in 2005.
- The payment of regular common share dividends which increased to \$392.5 million in 2006 from

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

For the financial year (\$ millions)

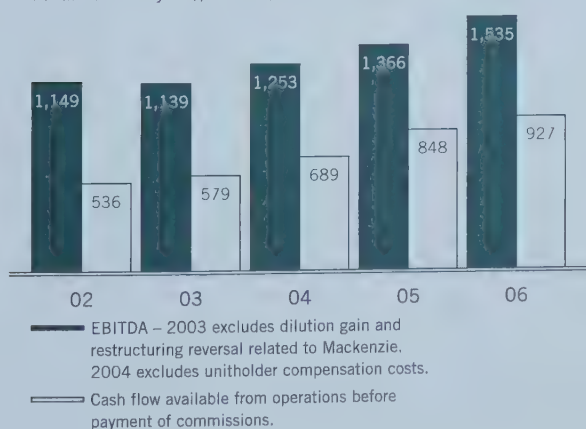


TABLE 12: CASH FLOWS

(\$ millions)	2006	2005	CHANGE
Operating activities			
Before payment of commissions	\$ 1,032.4	\$ 941.5	9.7%
Commissions paid	(344.7)	(337.4)	(2.2)
Net of commissions paid	687.7	604.1	13.8
Financing activities	(332.8)	(375.4)	11.3
Investing activities	(97.5)	(25.6)	(280.9)
Increase in cash and cash equivalents	257.4	203.1	26.7
Cash and cash equivalents, beginning of year	1,068.1	865.0	23.5
Cash and cash equivalents, end of year	\$ 1,325.5	\$ 1,068.1	24.1%

\$341.3 million in 2005 as a result of increases in the Company's common share dividends.

- The purchase of 271,700 common shares in 2006 under IGM Financial's normal course issuer bid at a cost of \$13.2 million. In 2005, 584,700 shares were purchased at a cost of \$23.3 million.

Investing activities during the year ended December 31, 2006 compared to the same period in 2005 related primarily to:

- Securities purchases of \$68.0 million and securities sales with proceeds of \$158.0 million in 2006 compared with \$102.2 million and \$95.9 million, respectively, in 2005.
- Net increases in loans of \$1,270.1 million compared to \$258.0 million related primarily to residential mortgages in the Company's mortgage banking operations. The net increase in loans was offset by securitizations of \$1,301.5 million in 2006 and \$251.0 million in 2005.
- The acquisition of intangible assets in 2006 which totalled \$140.1 million and \$54.1 million of funds held in escrow related to the Cundill Group.

Contractual Obligations

TABLE 13: CONTRACTUAL OBLIGATIONS

As at December 31, 2006 (\$ millions)	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long-term debt ⁽¹⁾	\$ 1,200.0	\$ —	\$ —	\$ 450.0	\$ 750.0
Operating leases ⁽²⁾	249.6	39.5	66.6	46.0	97.5
Total contractual obligations	\$ 1,449.6	\$ 39.5	\$ 66.6	\$ 496.0	\$ 847.5

(1) Refer to Note 12 of the Consolidated Financial Statements.

(2) Includes office space and equipment used in the normal course of business. Lease payments are charged to earnings in the period of use.

INTEREST RATE RISK

The objective of the Company's asset liability management is to control interest rate risk by actively managing its interest rate exposure within limits established by the Investment Committee of the Board of Directors.

The Company manages the re-pricing characteristics of its consolidated assets and liabilities, and as required by regulation, manages interest rate risk on the assets and liabilities of the deposit operations of M.R.S. Trust Company and Investors Group Trust Co. Ltd. As at December 31, 2006, the total gap between one-year deposit assets and liabilities was well within the Company's stated guidelines.

LIQUIDITY REQUIREMENTS

Liquidity requirements for M.R.S. Trust Company and Investors Group Trust Co. Ltd., which engage in financial intermediary activities, are based on investment policies approved by the investment committees of their respective Boards of Directors. As at December 31, 2006, liquidity for both companies was in compliance with these policies.

CAPITAL RESOURCES

Shareholders' equity increased to \$3.82 billion as at December 31, 2006 from \$3.45 billion at December 31, 2005. Long-term debt was \$1.20 billion at December 31, 2006, compared to \$1.23 billion at December 31, 2005 and is detailed in Note 12 to the Consolidated Financial Statements.

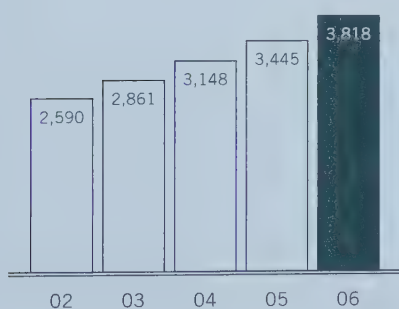
To achieve its strategic objectives, the Company requires a strong capital base. The Company's capital management objective is to preserve the quality of its financial position by establishing and maintaining a solid capital base and a strong balance sheet.

Independent reviews confirm the continuing quality of IGM Financial's balance sheet and the strength of its operations. During 2006, both Standard & Poors (S&P) and the Dominion Bond Rating Service (DBRS) reviewed their ratings of the Company's senior debt and liabilities. The rating was upgraded to "A (high)" with a stable outlook by DBRS and the S&P rating is currently "A" with a stable outlook.

Management is confident that the Company's current capital resources are adequate and can support its activities during 2007.

Shareholders' Equity

As at December 31 (\$ millions)



OFF-BALANCE SHEET ARRANGEMENTS

- *Securitizations* – The Company's liquidity management practices include the periodic transfers of mortgages and personal loans to securitization trusts sponsored by third parties that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. During 2006, the Company entered into securitization transactions through its mortgage banking operation with proceeds of \$1,301.5 million compared with \$251.0 million in 2005. Securitized loans serviced at December 31, 2006 totalled \$1,547.0 million compared with \$558.8 million at December 31, 2005. The fair-value of the Company's retained interest was \$42.7 million at December 31, 2006 and \$15.5 million at December 31, 2005. Additional information related to the Company's securitization activities can be found in Notes 1 and 4 of the Consolidated Financial Statements.
- *Derivative Contracts* – The Company utilizes derivative financial instruments in the management of interest rate and equity market exposures. The Company does not utilize derivative instruments for speculative purposes. The Company enters into interest rate swap arrangements in order to reduce the impact of fluctuating interest rates on its mortgage banking operations and asset liability management. The Company manages its exposure to market risk on its corporate securities portfolio by using a variety of derivative instruments including options and forward contracts. The Company also manages its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements by entering into total return swaps. All derivative contracts are either exchange-traded or negotiated in the over-the-counter market with Schedule I and Schedule II bank counterparties on a diversified basis. Additional information related to the Company's utilization of derivative contracts can be found in Notes 1 and 15 of the Consolidated Financial Statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Table 14 presents the carrying value and the fair value of on and off-balance sheet financial instruments.

Fair value is determined using the following methods and assumptions:

- The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, accounts and other receivables, and other financial liabilities.
- Securities are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used.
- Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk.
- Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

- Long-term debt is determined by reference to current market prices for debentures and notes payable with similar terms and risks.
- Derivative financial instruments' fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

Details of each component of the financial instruments are contained in the various related notes to the Consolidated Financial Statements.

A description of the material risks and management of the risks associated with the various financial instruments are contained in the Consolidated Financial Position, Consolidated Liquidity and Capital Resources, and Off-balance Sheet Arrangements sections in the MD&A.

TABLE 14: FINANCIAL INSTRUMENTS

As at December 31 (\$ millions)	2006		2005	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	\$ 1,325.5	\$ 1,325.5	\$ 1,068.1	\$ 1,068.1
Securities	142.3	238.3	178.0	301.7
Loans	488.8	488.8	513.0	512.6
Account and other receivables	219.2	219.2	161.2	161.2
	\$ 2,175.8	\$ 2,271.8	\$ 1,920.3	\$ 2,043.6
Liabilities				
Deposits and certificates	\$ 777.5	\$ 778.7	\$ 692.8	\$ 694.3
Other financial liabilities	532.5	532.5	480.9	480.9
Long-term debt	1,200.0	1,410.2	1,225.0	1,450.0
	\$ 2,510.0	\$ 2,721.4	\$ 2,398.7	\$ 2,625.2
Off-balance sheet derivatives	\$ –	\$ (42.6)	\$ –	\$ (28.2)

Outlook

THE FINANCIAL SERVICES ENVIRONMENT

The financial services industry continues to experience growth and change influenced by:

- Continuing growth of the Canadian economy.
- Shifting demographics as the number of Canadians in their prime savings years continue to increase.
- Changes in investor attitudes and strong preferences to deal through an advisor.
- Changes in the regulatory environment.
- An evolving competitive landscape.
- Advancing and changing technology.

Deregulation, competition and technology have fostered a trend towards financial service providers offering a comprehensive range of products and services in-house. Traditional distinctions between bank branches, full service brokerages, financial planning firms and insurance agent forces are obscured as many of these financial service providers strive to offer comprehensive financial advice implemented through access to a broad product shelf.

The preferred method of retirement planning by Canadians continues to be in the context of a relationship with a financial advisor. Increased investor awareness and sophistication, driven by these advisory relationships, continues to drive a reconfiguration of household balance sheets from short-term financial assets towards longer term financial assets.

Investment funds, which include mutual funds, remain the most popular financial asset class relied upon by Canadians for their retirement savings, and they represent over one-third of Canadian long-term discretionary financial assets. Management believes that investment funds are likely to remain the preferred savings vehicle of Canadians. Investment funds provide investors with the benefits of diversification, professional management, flexibility and convenience, and are available in a broad range of mandates and structures to meet most investor requirements and preferences.

At December 31, 2006, mutual fund industry assets in Canada were \$660.2 billion, an increase of 15.8% relative to December 31, 2005. This \$90.2 billion increase in industry assets from December 31, 2005 reflected net sales of \$20.8 billion, with the remaining \$69.4 billion primarily reflecting investment returns generated during the year.

THE COMPETITIVE LANDSCAPE

IGM Financial and its subsidiaries operate in a highly competitive environment. Investors Group and Investment Planning Counsel compete directly with other retail financial service providers, including other financial planning firms, as well as full service brokerages, banks and insurance companies. Investors Group, Mackenzie and Investment Planning Counsel compete directly with other investment managers for assets under management, and also compete with other asset classes, including stocks, bonds and other passive investment vehicles, for share of the investment assets of Canadians.

Canadian banks remain a dominant force in Canadian retail financial services. The banks distribute financial products and services through their traditional bank branches, as well as through their full service and discount brokerage subsidiaries. In recent years, bank branches have increased their emphasis on both financial planning and mutual funds. In addition, each of the big six banks has a mutual fund management subsidiary. Collectively, mutual fund assets of the big six bank-owned mutual fund managers represented 36% of total industry mutual fund assets at December 31, 2006 and accounted for approximately 61% of the industry's long-term mutual fund net sales during 2006 down marginally from 62% in 2005.

Mutual fund dealers and other financial planning firms represent a significant distribution channel for mutual funds in Canada. The last five years have been characterized by significant consolidation in this sector of the industry, with many of the larger firms being purchased by mutual fund managers and insurers. Despite this level of consolidation activity, the sector remains fragmented. Management anticipates continuing consolidation in this segment of the industry as smaller participants are acquired by larger organizations.

As a result of this consolidation activity, the Canadian mutual fund management industry is characterized by large, often vertically-integrated, firms. The industry is very concentrated, with the ten largest firms and their subsidiaries representing 78.2% of industry assets at December 31, 2006. Smaller firms primarily represent niche players.

Management believes scale, access to distribution, and a broad product shelf are key competitive success factors in the financial services industry.

MEETING COMPETITIVE CHALLENGES

Management feels that IGM Financial is well-positioned to meet competitive challenges and capitalize on future opportunities. The Company enjoys several competitive strengths, including:

- Significant economies of scale.
- Significant and diversified distribution with an emphasis on financial advisors.
- Broad product capabilities, leading brands and quality sub-advisory relationships.
- Part of the Power Financial group of companies, which includes Great-West Life, London Life and Canada Life.
- Enduring client relationships and the long-standing heritages and cultures of its subsidiaries.

Significant Economies of Scale

At December 31, 2006 IGM Financial's total assets under management were \$119.4 billion compared with \$100.2 billion in 2005, an increase of 19.1%. Included in the Company's total assets under management were mutual fund assets of \$107.0 billion at year end 2006 compared to \$94.1 billion one year ago. IGM Financial enjoys a 16.1% share of industry mutual fund assets under management and has almost 75% more long-term mutual fund assets than its nearest competitor. This scale provides the Company and its subsidiaries with numerous benefits, including lower unit costs and greater access to capital.

Broad and Diversified Distribution

IGM Financial's distribution strength is a competitive advantage. In addition to owning two of Canada's largest financial planning organizations, Investors Group and Investment Planning Counsel, IGM Financial has, through Mackenzie, access to distribution through over 30,000 independent financial advisors. Mackenzie also, in its growing institutional and sub-advisory business, partners with Canadian and U.S. manufacturing and distribution complexes to provide investment management to a number of individual mandates.

Broad Product Capabilities

During 2006, as discussed earlier within the segmented results, IGM Financial's subsidiaries continued to develop and launch innovative products and strategic investment planning tools to assist advisors in building optimized portfolios for clients.

Part of Power Financial Group of Companies

As part of the Power Financial group of companies, IGM Financial benefits through cost savings from shared service arrangements, as well as through access to distribution, products and capital.

Enduring Relationships

IGM Financial enjoys significant advantages as a result of the enduring relationships that advisors enjoy with clients. In addition, the Company's subsidiaries have strong heritages and cultures which are challenging for competitors to replicate.

THE REGULATORY ENVIRONMENT

IGM is subject to complex and changing legal, taxation and regulatory requirements, including the requirements of agencies of the federal, provincial and territorial governments in Canada which regulate the Company. The Company's principal regulators are the Canadian Securities Administrators, the Mutual Fund Dealers Association, the Investment Dealers Association and the Office of the Superintendent of Financial Institutions. These and other regulatory bodies regularly adopt new laws, rules, regulations and policies that apply to the Company. Regulatory standards affecting the Company and the financial services industry are increasing. The Company's subsidiaries are subject to regular regulatory reviews as part of the normal ongoing process of oversight by the Company's regulators.

Failure to comply with laws, rules or regulations could lead to regulatory sanctions and civil liability, and may have an adverse reputational or financial effect on the Company. The Company manages regulatory risk through its efforts to promote a strong culture of compliance. It monitors regulatory developments and their impact on the Company. It also continues to develop and maintain compliance policies, processes and oversight, including specific communications on compliance and legal matters, training, testing, monitoring and reporting. The Audit Committee of the Company receives regular reporting on compliance initiatives and issues.

The Company supports regulatory efforts that will protect the interests of its clients and preserve the integrity and reputation of the industry and its members.

OTHER RISK FACTORS

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Three class actions related to alleged market timing trading activity in mutual funds of the companies have been commenced. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of

such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Market Risk

Risks related to performance of the equity markets and changes in interest rates can have a significant impact on the level and mix of mutual fund assets under management and sales. In addition, these factors can result in increased redemptions of mutual funds.

REDEMPTION RATES

Redemption rates for long-term funds are summarized in Table 15.

IGM Financial provides Consultants and independent financial advisors with a high level of service and support and a broad range of investment products – based on asset classes, countries or regions, and investment management styles. These are key advantages in maintaining strong client relationships and, as a result, the Company has been able to maintain redemption rates that are among the lowest in the industry. One of the contributing factors in the increase in Mackenzie's redemption rate at December 31, 2006 compared with 2005 is the increase in the proportion of Mackenzie's mutual fund units no longer subject to a redemption fee. At December 31, 2006, the twelve month trailing redemption rate for long-term funds for the industry, excluding IGM Financial, was 15.6% compared to 16.5% at December 31, 2005.

The mutual fund industry and financial advisors are committed to educating Canadian investors on the merits of financial planning, diversification and long-term investing. In periods of volatility our Consultants and independent financial advisors play a key role assisting investors to maintain perspective and focus on their long-term objectives.

Distribution Risk

- *Investors Group Consultant Network* – Investors Group derives all of its mutual fund sales through its Consultant network. Investors Group Consultants have regular direct contact with clients which can lead to a strong and personal client relationship based on the client's confidence in that individual Consultant. The market for financial advisors is extremely competitive. The loss of a significant number of key Consultants could lead to the loss of client accounts which could have an adverse effect on Investors Group's results of operations and business prospects. Investors Group is focused on growing its distribution network of Consultants as discussed in the Investors Group Review of the Business section of the MD&A. As at December 31, 2006, the number of Consultants totalled 3,917 compared with 3,668 at December 31, 2005. This represents an increase of 6.8% in the Consultant network in 2006. Investors Group experienced ten consecutive quarters of growth resulting in an increase of 22.1% in the Consultant network since June 30, 2004.
- *Mackenzie* – Mackenzie derives substantially all of its mutual fund sales through independent financial advisors. Mackenzie's ability to market its products is highly dependent on access to various distribution channels. These intermediaries generally offer their clients investment products in addition to, and in competition with Mackenzie. The inability to have such access could have a material adverse effect on Mackenzie's operating results and business prospects. However, Mackenzie's diverse portfolio of financial products and its long-term investment performance, marketing, educational and service support, has made Mackenzie one of Canada's leading companies serving independent financial advisors. These factors are discussed further in the Mackenzie Review of the Business section of the MD&A.

TABLE 15: TWELVE MONTH TRAILING REDEMPTION RATE FOR LONG-TERM FUNDS

As at December 31	2006	2005
IGM Financial Inc.		
Investors Group	7.9%	8.7%
Mackenzie	15.2%	14.8%
Counsel Group of Funds	9.4%	9.7%

Accounting Estimates and Policies

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to adopt accounting policies and to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements. In applying these policies, management makes subjective and complex judgments that frequently require estimates about matters that are inherently uncertain. Many of these policies are common in the mutual fund and other financial services industries; others are specific to IGM Financial's businesses and operations. IGM Financial's significant accounting policies are described in detail in Note 1 of the Consolidated Financial Statements.

The major critical accounting estimates and related judgments underlying the Company's financial statements are summarized below. Critical accounting estimates relating to goodwill and intangibles, income taxes and deferred selling commissions relate to both the Investors Group and Mackenzie reportable segments while Employee future benefits applies to the Investors Group reportable segment.

- *Goodwill and intangible assets* – Goodwill and indefinite life intangible assets are reflected in Note 7 of the Consolidated Financial Statements. Under the Canadian Institute of Chartered Accountants (CICA) Section 3062 – Goodwill and Other Intangible Assets, the Company is required to test the fair value of goodwill and indefinite life intangible assets for impairment at least once a year. The Company performs that evaluation during the second quarter each year. These tests involve the use of estimates and assumptions appropriate in the circumstances. The annual impairment testing was completed for 2006 and management determined that no impairment charge was necessary.
- *Income taxes* – The provision for income taxes is determined on the basis of the anticipated tax treatment of transactions recorded in the Consolidated Statements of Income. The determination of the provision for income taxes requires interpretation of tax legislation in a number of jurisdictions. Tax planning may allow the Company to record lower income taxes in the current year and, as well, income taxes recorded in prior years may be adjusted in the current year to reflect management's best estimates of the overall adequacy of its provisions. Any related tax benefits or changes in management's best estimates are reflected in the provision for income taxes. The recognition of future tax assets depends on management's assumption that future earnings will be sufficient to realize the future benefit. The amount of the future tax asset or liability recorded is based on management's best estimate of the timing of the realization of the assets or liabilities. If our interpretation of tax legislation differs from that of the tax authorities or if timing of reversals is not as anticipated, the provision for income taxes could increase or decrease in future periods. Additional information related to income taxes is included in the Summary of Consolidated Operating Results and in Note 11 of the Consolidated Financial Statements.
- *Employee future benefits* – Accounting for pension and other post-retirement benefits requires estimates of future returns on plan assets, expected increases in compensation levels, trends in health care costs, as well as the appropriate discount rate for the determination of accrued benefit obligations. These estimates are discussed in Note 10 of the Consolidated Financial Statements.
- *Deferred selling commissions* – Commissions paid on the sale of certain mutual fund products are deferred and amortized over a maximum period of seven years. Prior to April 1, 2001, the maximum period for amortization for Investors Group was three years. On April 1, 2001 Investors Group revised the period of amortization of these expenditures to reflect a more accurate estimate of their useful life. This estimate is also consistent with that used by Mackenzie. The Company regularly reviews the carrying value of the deferred selling commissions with respect to any events or circumstances that indicate impairment or that an adjustment to the amortization period is necessary.

CHANGES IN ACCOUNTING POLICIES

As disclosed in Note 1 of the Consolidated Financial Statements, IGM Financial did not adopt any changes in accounting policies in 2006.

FUTURE ACCOUNTING CHANGES

In January 2005, the CICA issued four new accounting standards: CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3865, Hedges, CICA 1530, Comprehensive Income and CICA 3251, Equity. These standards become effective for fiscal years beginning on or after October 1, 2006 and are applicable to the Company as of January 1, 2007.

These standards require that all financial assets be classified as available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value in the Consolidated Balance Sheets, except loans and receivables including mortgages and securities classified as held to maturity, which would be carried at amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which would be carried at fair value, or other, which would be carried at amortized cost using the effective interest method.

Changes in the fair value of trading securities are required to be reported in earnings and unrealized gains and losses on financial assets that are available for sale are required to be recorded in Other comprehensive income until realized or impaired, at which time they are required to be recorded in the Consolidated Statements of Income. All derivatives including embedded derivatives that must be separately accounted for, except those described in the next paragraph, must be recorded at fair value in the Consolidated Balance Sheets and the changes in fair value must be recorded in the Consolidated Statements of Income.

Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness may offset changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of net investments in self-sustaining foreign operations. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Income. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which will be reclassified to Net income when the hedged transaction impacts earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge must be recorded in the Consolidated Statements of Income.

The Consolidated Statements of Comprehensive Income will be included in the Company's financial statements. Unrealized gains and losses on financial assets that will be held as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and unrealized foreign currency translation gains and losses will be recorded in the Consolidated Statements of Comprehensive Income until recognized in the Consolidated Statements of Income. Accumulated other comprehensive income will form part of shareholders' equity.

Transitional adjustments arising due to remeasuring financial assets classified as available for sale and hedging instruments designated as cash flow hedges will be recognized in the opening balance of Accumulated other comprehensive income. Other transition adjustments are not expected to be significant.

Disclosure Controls and Procedures

Based on their evaluations as of December 31, 2006, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in providing reasonable assurance in ensuring that information relating to the Company which is required to be disclosed in reports filed under provincial and territorial securities

legislation (a) is recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation, and (b) is accumulated and communicated to the Company's senior management, including the Co-Presidents and Chief Executive Officers and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Internal Controls Over Financial Reporting

Based on their evaluations as of December 31, 2006, the Co-Presidents and Chief Executive Officers and the Chief Financial Officer have concluded that the Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial

statements for external purposes in accordance with Canadian GAAP.

During the fourth quarter of 2006, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

TRANSACTIONS WITH RELATED PARTIES

IGM Financial enters into transactions with Great-West Life, London Life and Canada Life, subsidiaries of its affiliate, GWL. These transactions are in the normal course of business and have been recorded at the agreed upon exchange amounts as described below.

- The Company provided to and received from Great-West Life certain administrative services enabling each organization to take advantage of economies of scale and areas of expertise.
- The Company distributed insurance products under a distribution agreement with Great-West Life and Canada Life and received \$29.0 million in distribution fees (2005 – \$37.2 million). The Company paid \$21.0 million (2005 – \$17.2 million) to London Life related to the distribution of certain mutual funds of the Company.
- In order to manage its overall liquidity position, the Company's mortgage banking operation is active in the securitization market and also sells residential

mortgage loans to third parties, on a fully serviced basis. During 2006, the Company sold residential mortgage loans to Great-West Life and London Life for \$291.4 million compared to \$122.8 million in 2005.

For further information on transactions involving related parties, see Notes 5 and 19 of the Consolidated Financial Statements.

OUTSTANDING SHARE DATA

Outstanding common shares of IGM Financial as at December 31, 2006 totalled 264,865,938. As at February 14, 2007, outstanding common shares totalled 264,949,429.

SEDAR

Additional information relating to IGM Financial, including the Company's most recent financial statements and Annual Information Form, is available at www.sedar.com.

Consolidated Financial Statements

50	Management's Responsibility for Financial Reporting and Auditors' Report
51	Consolidated Balance Sheets
52	Consolidated Statements of Income
52	Consolidated Statements of Retained Earnings
53	Consolidated Statements of Cash Flows

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

54	Note 1	Summary of significant accounting policies
58	Note 2	Securities
58	Note 3	Loans
59	Note 4	Securitizations
60 /	Note 5	Investment in affiliate
60	Note 6	Other assets
60	Note 7	Goodwill and intangible assets
62	Note 8	Deposits and certificates
62	Note 9	Other liabilities
63	Note 10	Employee future benefits
65	Note 11	Income taxes
66	Note 12	Long-term debt
66	Note 13	Share capital
67	Note 14	Stock-based compensation
69	Note 15	Derivative financial instruments
70	Note 16	Fair value of financial instruments
71	Note 17	Earnings per common share
71	Note 18	Contingencies, commitments and guarantees
72	Note 19	Related party transactions
72	Note 20	Segmented information
73	Note 21	Acquisition of intangible assets

Management's Responsibility for Financial Reporting

The consolidated financial statements of IGM Financial Inc. and related financial information have been prepared by Management, which is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgments and estimates consistent with Canadian generally accepted accounting principles. Financial information presented elsewhere in this Annual Report is consistent with that in the consolidated financial statements.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance of the reliability of financial information and the safeguarding of all assets controlled by the Company. These controls and supporting procedures include quality standards in hiring and training employees, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines through the organization. Internal controls are reviewed and evaluated by extensive internal audit programs, which are subject to scrutiny by the shareholders' auditors.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. The Board is assisted in discharging this responsibility by an Audit Committee, consisting of directors who are not officers or employees of the Company. This Committee reviews the consolidated financial statements and recommends them for approval by the Board. In addition, the Audit Committee reviews the recommendations of the internal auditor and the shareholders' auditors for improvements in internal control and the action of Management to implement such recommendations. In carrying out its duties and responsibilities, the Committee meets regularly with Management and with both the internal auditor and the shareholders' auditors to review the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged.

Deloitte & Touche LLP, independent auditors appointed by the shareholders, have examined the consolidated financial statements of the Company in accordance with Canadian generally accepted auditing standards, and have expressed their opinion upon the completion of their examination in their Report to the Shareholders. The shareholders' auditors have full and free access to the Audit Committee to discuss their audit and related findings as to the integrity of the Company's financial reporting and the adequacy of the systems of internal control.



Murray J. Taylor
Co-President and Chief Executive Officer



Charles R. Sims
Co-President and Chief Executive Officer



Gregory D. Tretiak
Executive Vice-President, Finance

Auditors' Report

To the Shareholders, IGM Financial Inc.

We have audited the consolidated balance sheets of IGM Financial Inc. as at December 31, 2006 and 2005 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Winnipeg, Manitoba
February 14, 2007

Consolidated Balance Sheets

As at December 31 (*in thousands of dollars*)

	2006	2005
Assets		
Cash and cash equivalents	\$ 1,325,468	\$ 1,068,061
Securities (<i>Note 2</i>)	142,322	178,011
Loans (<i>Note 3</i>)	488,795	512,989
Investment in affiliate (<i>Note 5</i>)	549,237	509,721
Deferred selling commissions	974,070	927,958
Other assets (<i>Note 6</i>)	439,804	336,473
Intangible assets (<i>Note 7</i>)	1,040,126	900,180
Goodwill (<i>Note 7</i>)	2,372,714	2,373,483
	\$ 7,332,536	\$ 6,806,876
Liabilities		
Deposits and certificates (<i>Note 8</i>)	\$ 777,505	\$ 692,770
Other liabilities (<i>Note 9</i>)	735,297	634,256
Future income taxes (<i>Note 11</i>)	442,061	449,717
Long-term debt (<i>Note 12</i>)	1,200,000	1,225,010
Preferred shares (<i>Note 13</i>)	360,000	360,000
	3,514,863	3,361,753
Shareholders' Equity		
Share capital (<i>Note 13</i>)	1,493,954	1,481,519
Contributed surplus	15,339	9,213
Retained earnings	2,308,380	1,954,391
	3,817,673	3,445,123
	\$ 7,332,536	\$ 6,806,876

(See accompanying notes to consolidated financial statements.)

On behalf of the Board



Murray J. Taylor
Director



Donald F. Mazankowski
Director

Consolidated Statements of Income

For the years ended December 31 <i>(in thousands of dollars, except shares and per share amounts)</i>	2006	2005
Fee and net investment income		
Management	\$ 1,857,889	\$ 1,644,737
Administration	313,245	307,391
Distribution	221,164	212,344
Net investment income and other	212,300	183,108
Total fee and net investment income	2,604,598	2,347,580
Operating expenses		
Commission expense	832,794	726,471
Non-commission expense	573,399	555,326
Interest expense	88,420	90,425
Total operating expenses	1,494,613	1,372,222
Income before income taxes and non-controlling interest	1,109,985	975,358
Income taxes <i>(Note 11)</i>	331,231	291,500
Income before non-controlling interest	778,754	683,858
Non-controlling interest	2,064	1,431
Net income	\$ 776,690	\$ 682,427
Average number of common shares <i>(in thousands) (Note 17)</i>		
– Basic	264,724	264,573
– Diluted	267,395	266,609
Earnings per share <i>(in dollars) (Note 17)</i> – Basic	\$ 2.93	\$ 2.58
– Diluted	\$ 2.90	\$ 2.56

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Retained Earnings

For the years ended December 31 <i>(in thousands of dollars)</i>	2006	2005
Balance, beginning of year	\$ 1,954,391	\$ 1,668,006
Net income	776,690	682,427
Common dividends	(406,478)	(353,207)
Common share cancellation excess <i>(Note 13)</i>	(11,688)	(20,067)
Other <i>(Note 5)</i>	(4,535)	(22,768)
Balance, end of year	\$ 2,308,380	\$ 1,954,391

(See accompanying notes to consolidated financial statements.)

Consolidated Statements of Cash Flows

For the years ended December 31 (in thousands of dollars)

	2006	2005
Operating activities		
Net income	\$ 776,690	\$ 682,427
Adjustments to determine net cash from operating activities		
Future income taxes	(6,993)	26,869
Commission amortization	298,631	260,209
Amortization of capital and intangible assets	21,665	22,431
Changes in operating assets and liabilities and other	(57,548)	(50,484)
	1,032,445	941,452
Commissions paid	(344,743)	(337,376)
	687,702	604,076
Financing activities		
Net increase (decrease) in deposits and certificates	84,735	(18,180)
Repayment of long-term debt	(25,010)	(1,785)
Issue of common shares	13,184	9,206
Common dividends paid	(392,460)	(341,321)
Common shares purchased for cancellation	(13,216)	(23,335)
	(332,767)	(375,415)
Investing activities		
Purchase of securities	(67,968)	(102,217)
Proceeds from the sale of securities	157,991	95,934
Net increase in loans	(1,270,143)	(258,005)
Proceeds from securitizations (Note 4)	1,301,543	250,993
Additions to capital assets	(23,716)	(11,206)
Acquisition of intangible assets (Note 21)	(140,100)	—
Funds held in escrow (Note 6)	(54,077)	—
Other	(1,058)	(1,089)
	(97,528)	(25,590)
Increase in cash and cash equivalents	257,407	203,071
Cash and cash equivalents, beginning of year	1,068,061	864,990
Cash and cash equivalents, end of year	\$ 1,325,468	\$ 1,068,061
Cash	\$ 154,050	\$ 174,338
Cash equivalents	1,171,418	893,723
	\$ 1,325,468	\$ 1,068,061
Supplemental disclosure of cash flow information		
Amount of interest paid during the year	\$ 126,408	\$ 131,899
Amount of income taxes paid during the year	\$ 276,444	\$ 239,407

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

DECEMBER 31, 2006 AND 2005 *(In thousands of dollars, except shares and per share amounts)*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements of IGM Financial Inc. (Company) have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements. Key components of the financial statements requiring management to make estimates include goodwill, intangible assets, income taxes, deferred selling commissions and employee future benefits. Actual results may differ from such estimates.

Basis of consolidation

The Consolidated Financial Statements include the accounts of the Company and all subsidiaries on a consolidated basis after elimination of intercompany transactions and balances.

The equity method is used to account for the Company's investment in Great-West Lifeco Inc. (Lifeco), an affiliated company. Both companies are controlled by Power Financial Corporation.

There are no variable interest entities requiring consolidation under Accounting Guideline 15 – Consolidation of Variable Interest Entities, except with respect to the Company's share purchase plan compensation trust. The Company is considered the primary beneficiary of the share purchase plan compensation trust. However, the consolidation of this trust does not have a significant impact as both the assets (IGM Financial Inc. shares) and the liabilities (the obligation to deliver IGM Financial Inc. shares to the participants) of the trust offset each other in the Share Capital section of the Consolidated Balance Sheets.

Revenue recognition

Management fees are based on the net asset value of mutual fund assets under management and are recognized on an accrual basis when the service is performed. Administration fees are also recognized on an accrual basis when the service is performed. Distribution revenue derived from mutual fund, insurance, securities and banking transactions are recognized on a trade date basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash and temporary investments consisting of highly liquid investments with short-term maturities. Interest income is recorded on an accrual basis.

Securities

Investment securities comprise equity securities held for long-term investment. Common shares are carried at original cost plus declared dividends. Securities are written down to their fair value when an other than temporary decline in value is identified. Gains and losses on disposal of investment securities are recorded in Net investment income and other in the Consolidated Statements of Income.

Loans

Loans are carried at amortized cost plus accrued interest less an allowance for credit losses. Interest income is accounted for on the accrual basis for all loans other than impaired loans.

A loan is classified as impaired when, in the opinion of management, there no longer is reasonable assurance of the timely collection of the full amount of principal and interest. A loan is also classified as impaired when interest or principal is contractually past due 90 days, except in circumstances where management has determined that the collectibility of principal and interest is not in doubt. Once a loan is classified as impaired, any accrued and unpaid interest income is reversed and charged against interest income in the current period. Thereafter interest income is recognized on a cash basis.

The Company maintains an allowance for credit losses which is considered adequate by management to absorb all credit related losses in its portfolio. Specific allowances are established as a result of reviews of individual loans. There is a second category of allowance, designated general allowance, which is allocated against sectors rather than specifically against individual loans. This allowance is established where a prudent assessment by management suggests that losses may occur but where such losses cannot yet be identified on an individual loan basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Securizations

The Company periodically transfers mortgages and personal loans to commercial paper conduits that in turn issue securities to investors. The Company retains servicing responsibilities and certain elements of recourse with respect to credit losses on transferred loans. The Company also transfers NHA-insured mortgages through the issuance of mortgage-backed securities.

Transfers of loans are accounted for as sales provided that control over the transferred loans has been surrendered and consideration other than beneficial interests in the transferred loans has been received in exchange. The loans are removed from the Consolidated Balance Sheets and a gain or loss is recognized in income immediately based on the carrying value of the loans transferred. The carrying value is allocated between the assets transferred and the retained interests in proportion to their fair values at the date of transfer. To obtain the fair value of the Company's retained interests, quoted market prices are used if available. However, since quotes are generally not available for retained interests, the estimated fair value is based on the present value of future expected cash flows using management's best estimates of key assumptions such as prepayment rates, excess spread, expected credit losses and discount rates commensurate with the risks involved. Retained interests are reviewed quarterly for impairment. The Company continues to service the loans transferred. As a result, a servicing liability is recognized and amortized over the expected term of the transferred loans as servicing fees.

For all transfers of loans, the gains or losses and the servicing fee revenue are reported in Net investment income and other in the Consolidated Statements of Income. The retained interests in the securitized loans are recorded in Other assets and the servicing liability is recorded in Other liabilities on the Consolidated Balance Sheets.

Deferred selling commissions

Commissions paid on the sale of certain mutual funds are deferred and amortized against related fee income over a maximum period of seven years. Commissions paid on the sale of deposits are deferred and amortized over the term of the deposit with a maximum amortization period of five years.

Capital assets

Capital assets, which are included in Other assets, are recorded at cost of \$292.2 million (2005 – \$259.3 million), less accumulated amortization of \$210.8 million (2005 – \$183.5 million). The properties and related equipment and furnishings are amortized on a straight-line basis over their estimated useful lives.

Goodwill and intangible assets

Goodwill and intangible assets with indefinite lives are reviewed at least annually for impairment using a fair value test and written down for impairment losses. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives, not exceeding a period of 20 years. The Company tests intangible assets with a finite life for impairment when events or changes in circumstances indicate that their carrying value may not be recoverable. The Company writes down the assets to fair value when the related undiscounted cash flows are not expected to allow for recovery of the carrying value.

The Company has completed its annual impairment testing on goodwill, indefinite life intangible assets and finite life intangible assets and has determined that no impairment charge was necessary.

Employee future benefits

The Company maintains a number of employee future benefit plans. These plans include a funded defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan (SERP) for certain executive officers, and an unfunded post-retirement health care and life insurance plan for eligible retirees.

The defined benefit pension plan provides pensions based on length of service and final average earnings. An actuarial valuation is performed for funding purposes every three years. The most recent actuarial valuation was completed as at December 31, 2004 and the next required valuation will be completed based on a measurement date of December 31, 2007.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee future benefits *(continued)*

The cost of pension and other post-retirement benefits earned by employees is actuarially determined using the projected unit credit method prorated on service based upon management's assumptions about the expected long-term rate of return on plan assets, discount rates, compensation increases, retirement ages of employees, mortality and expected health care costs. The discount rate used to value liabilities is based on market rates at the measurement date. Plan assets are valued at fair value for purposes of calculating the expected long-term rate of return. The defined benefit pension plan is invested in proprietary equity, balanced and fixed income mutual funds.

Benefit expense or income, which is included in Non-commission expense, includes the cost of pension or other post-retirement benefits provided in respect of the current year's service, interest cost on the accrued benefit liability, the expected return on plan assets and the amortization of actuarial gains or losses over the expected average remaining service life of employees. These periods range from 11 years to 16 years for the various benefit plans.

The accrued benefit asset or liability represents the cumulative difference between the expense and funding contributions and is included in Other assets or Other liabilities.

Stock-based compensation and other stock-based payments

The Company uses the fair-value based method to account for stock options granted to employees. The fair-value of stock options is determined on each grant date. Compensation expense is recognized over the period that the stock options vest, with a corresponding increase in Contributed surplus. When stock options are exercised, the proceeds together with the amount recorded in Contributed surplus are added to Share capital.

Income taxes

The Company follows the liability method in accounting for income taxes whereby future income tax assets and liabilities reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income tax assets and liabilities are measured based on the enacted or substantively enacted tax rates which are anticipated to be in effect when the temporary differences are expected to reverse.

Liabilities and Equity

Preferred shares that can be settled at the Company's option by issuing a variable number of its own equity instruments are classified as liabilities. Preferred dividends are classified as part of operating expenses in the Consolidated Statements of Income.

Earnings per share

Basic earnings per share is determined by dividing Net income available to common shareholders by the average number of common shares outstanding for the year. Diluted earnings per share is determined using the same method as basic earnings per share except that the average number of common shares outstanding includes the potential dilutive effect of outstanding stock options granted by the Company as determined by the treasury method.

Derivative financial instruments

Derivative financial instruments are utilized by the Company in the management of equity market and interest rate exposures. The Company does not utilize derivative financial instruments for speculative purposes.

The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the Consolidated Balance Sheets or to anticipated future transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Company manages its exposure to market risk on its securities by either entering into forward sale contracts, purchasing a put option or by simultaneously purchasing a put option and writing a call option on the same security. The Company designates these contracts as hedges of the future sale of specified securities. Any unrealized gains and losses on the forward sales and options are accounted for on the deferral basis where gains and losses, including any premiums paid or received, are recognized in Net investment income and other on a basis consistent with the future sale of the related securities.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments *(continued)*

The Company enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its mortgage banking operations and asset liability management. These swap agreements require the periodic exchange of net interest payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are carried at fair value on the Consolidated Balance Sheets. Changes in fair value are recorded in Net investment income and other in the Consolidated Statements of Income.

The Company also enters into total return swaps to manage its exposure to fluctuations in the total return of its common shares related to deferred compensation arrangements. These swap agreements require the periodic exchange of net contractual payments without the exchange of the notional principal amounts on which the payments are based. These instruments are not designated as hedges and are carried at fair value on the Consolidated Balance Sheets. Changes in fair value are recorded in Non-commission expense in the Consolidated Statements of Income.

Non-qualifying derivatives and derivatives not designated as hedges continue to be utilized on a basis consistent with the risk management policies of the Company and are monitored by the Company for effectiveness as economic hedges even if specific hedge accounting requirements are not met.

If a designated hedged item is sold prior to the termination of the related derivative instruments or it is no longer probable that the sale will occur at the date originally anticipated, any realized or unrealized gain or loss on such derivative instrument is recognized in income.

Future accounting changes – financial instruments

In January 2005, the CICA issued four new accounting standards: CICA 3855, Financial Instruments – Recognition and Measurement, CICA 3865, Hedges, CICA 1530, Comprehensive Income and CICA 3251, Equity. These standards become effective for fiscal years beginning on or after October 1, 2006 and are applicable to the Company as of January 1, 2007.

These standards require that all financial assets be classified as available for sale, held to maturity, trading or loans and receivables. The standards require that all financial assets be carried at fair value in the Consolidated Balance Sheets, except loans and receivables including mortgages and securities classified as held to maturity, which would be carried at amortized cost using the effective interest method. Financial liabilities must be classified as either trading, which would be carried at fair value, or other, which would be carried at amortized cost using the effective interest method.

Changes in the fair value of trading securities are required to be reported in earnings and unrealized gains and losses on financial assets that are available for sale are required to be recorded in Other comprehensive income until realized or impaired, at which time they are required to be recorded in the Consolidated Statements of Income. All derivatives including embedded derivatives that must be separately accounted for, except those described in the next paragraph, must be recorded at fair value in the Consolidated Balance Sheets and the changes in fair value must be recorded in the Consolidated Statements of Income.

Derivative instruments specifically designated as a hedge and meeting the criteria for hedge effectiveness may offset changes in fair values or cash flows of hedged items. A hedge must be designated as a cash flow hedge, fair value hedge, or a hedge of net investments in self-sustaining foreign operations. A fair value hedge requires the change in fair value of the hedging derivative and the change in fair value of the hedged item relating to the hedged risk to both be recorded in the Consolidated Statements of Income. A cash flow hedge requires the change in fair value of the derivative, to the extent effective, to be recorded in Other comprehensive income, which will be reclassified to Net income when the hedged transaction impacts earnings. The change in fair value of the ineffective portion of the derivative in a cash flow hedge must be recorded in the Consolidated Statements of Income.

The Consolidated Statements of Comprehensive Income will be included in the Company's financial statements. Unrealized gains and losses on financial assets that will be held as available for sale, the effective portion of changes in the fair value of cash flow hedging instruments and unrealized foreign currency translation gains and losses will be recorded in the Consolidated Statements of Comprehensive Income until recognized in the Consolidated Statements of Income. Accumulated other comprehensive income will form part of shareholders' equity.

Transitional adjustments arising due to remeasuring financial assets classified as available for sale and hedging instruments designated as cash flow hedges will be recognized in the opening balance of Accumulated other comprehensive income. Other transition adjustments are not expected to be significant.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

2. SECURITIES

	2006		2005	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Common shares	\$ 120,084	\$ 212,804	\$ 146,146	\$ 265,431
Investments in proprietary mutual funds	22,238	25,496	31,865	36,259
	\$ 142,322	\$ 238,300	\$ 178,011	\$ 301,690

3. LOANS

	TERM TO MATURITY			2006 TOTAL	2005 TOTAL
	1 YEAR OR LESS	1-5 YEARS	OVER 5 YEARS		
Residential mortgages	\$ 97,569	\$ 134,365	\$ 3,195	\$ 235,129	\$ 286,918
Commercial mortgages	576	387	—	963	9,585
	98,145	134,752	3,195	236,092	296,503
Personal loans	221,839	19,207	19,385	260,431	224,684
	\$ 319,984	\$ 153,959	\$ 22,580	496,523	521,187
Less: General allowance				7,728	8,198
				\$ 488,795	\$ 512,989
Impaired loans included above				\$ 417	\$ 983
Less: General allowance				7,728	8,198
				\$ (7,311)	\$ (7,215)
The change in the allowance for credit losses is as follows:					
Balance, beginning of year				\$ 8,198	\$ 17,810
Write-offs				(208)	(208)
Recoveries				199	334
Reversal of provision for credit losses				(461)	(9,738)
Balance, end of year				\$ 7,728	\$ 8,198

4. SECURITIZATIONS

During the year, the Company transferred \$1,311.1 million (2005 – \$252.3 million) of residential mortgages into commercial paper conduits and recorded \$5.0 million (2005 – \$4.3 million) in gains, net of transaction costs, in Net investment income and other.

The Company's retained interest in the securitized loans includes cash reserve accounts and rights to future excess spread. This retained interest is subordinated to the interests of the related commercial paper conduits (CP conduits) and mortgage-backed securities (MBS) holders (the Purchasers). The Purchasers do not have recourse to the Company's other assets for any failure of the borrowers to pay when due.

The key economic assumptions used to value the retained interests at the date of securitization issuances for commercial paper conduit transactions completed during 2006 and 2005 were as follows:

	2006	2005
Weighted-average		
Remaining service life (in years)	3.9	3.7
Interest rate	5.17%	4.98%
Coupon rate of securities issued	4.66%	4.00%
Prepayment rate	15.00%	15.00%
Discount rate	4.99%	4.55%
Servicing fees	0.25%	0.25%
Expected credit losses	0.01%	0.05%

At December 31, 2006, the fair value of the total retained interests was \$42.7 million (2005 – \$15.5 million). The sensitivity to immediate 10% or 20% adverse changes to key assumptions was considered to be immaterial.

The total loans reported on the Company's Consolidated Balance Sheets, the securitized loans serviced by the Company, as well as cash flows related to securitization arrangements are as follows:

	2006	2005
Mortgages	\$ 1,761,342	\$ 826,202
Personal loans	274,446	245,624
	2,035,788	1,071,826
Less: Securitized loans serviced	1,546,993	558,837
Total on-balance sheet loans	\$ 488,795	\$ 512,989
Proceeds from new securitizations	\$ 1,301,543	\$ 250,993
Cash flows received on retained interests	\$ 7,025	\$ 10,772

5. INVESTMENT IN AFFILIATE

	2006	2005
Carrying value, beginning of year	\$ 509,721	\$ 490,716
Share of earnings	79,099	72,381
Dividends	(35,048)	(30,608)
Foreign currency translation and other adjustments	(4,535)	(22,768)
Carrying value, end of year	\$ 549,237	\$ 509,721
Share of equity, end of year	\$ 408,213	\$ 369,946
Fair value, end of year	\$ 1,277,214	\$ 1,160,073

The Company currently holds 37,787,388 (2005 – 37,787,388) shares of Lifeco, which represents an equity interest of 4.2% (2005 – 4.2%).

6. OTHER ASSETS

	2006	2005
Accounts and other receivables	\$ 219,177	\$ 161,201
Capital assets	81,441	75,780
Funds held in escrow (Note 21)	54,077	–
Accrued benefit asset (Note 10)	43,257	43,339
Deferred and prepaid expenses	37,509	50,501
Other	4,343	5,652
	\$ 439,804	\$ 336,473

7. GOODWILL AND INTANGIBLE ASSETS

During the fourth quarter of 2006, Mackenzie Financial Corporation, a subsidiary of IGM Financial Inc., performed a preliminary evaluation of the fair value of the assets acquired related to the purchase of the assets of Cundill Investment Research Ltd. and related entities (“Cundill Group”). The purchase price has been allocated to indefinite-life and finite-life intangible assets on a preliminary basis and will be completed as soon as Mackenzie Financial Corporation has gathered all the significant information considered necessary in order to finalize this allocation (Note 21).

In the second quarter of 2005, the Company finalized the allocation of goodwill related to the acquisition of Investment Planning Counsel.

7. GOODWILL AND INTANGIBLE ASSETS *(continued)*

The changes in the carrying amount of goodwill are as follows:

2006				
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Balance, beginning of year	\$ 1,347,781	\$ 943,550	\$ 82,152	\$ 2,373,483
Acquired during the year	—	—	884	884
Goodwill adjustment	—	—	(1,653)	(1,653)
Balance, end of year	\$ 1,347,781	\$ 943,550	\$ 81,383	\$ 2,372,714

2005				
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Balance, beginning of year	\$ 1,346,245	\$ 923,590	\$ 101,756	\$ 2,371,591
Acquired during the year	—	—	972	972
Allocation of goodwill	1,536	19,960	(21,496)	—
Goodwill adjustment	—	—	920	920
Balance, end of year	\$ 1,347,781	\$ 943,550	\$ 82,152	\$ 2,373,483

The components of other intangible assets are as follows:

2006					
	FINITE-LIFE	INDEFINITE-LIFE			
	DISTRIBUTION CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL	TOTAL
Carrying value	\$ 25,385	\$ 608,853	\$ 268,368	\$ 877,221	\$ 902,606
Acquired during the year	1,707	134	—	134	1,841
Accumulated amortization	(3,778)	—	—	—	(3,778)
Net carrying value	\$ 23,314	\$ 608,987	\$ 268,368	\$ 877,355	900,669
Assets acquired, net of accumulated amortization <i>(Note 21)</i>					139,457
					\$ 1,040,126

2005					
	FINITE-LIFE	INDEFINITE-LIFE			
	DISTRIBUTION CONTRACTS	MUTUAL FUND MANAGEMENT CONTRACTS	TRADE NAMES	TOTAL	TOTAL
Carrying value	\$ 24,421	\$ 608,764	\$ 268,368	\$ 877,132	\$ 901,553
Acquired during the year	964	89	—	89	1,053
Accumulated amortization	(2,426)	—	—	—	(2,426)
Net carrying value	\$ 22,959	\$ 608,853	\$ 268,368	\$ 877,221	\$ 900,180

8. DEPOSITS AND CERTIFICATES

Included in the assets of the Consolidated Balance Sheets are cash and cash equivalents and loans amounting to \$777.5 million (2005 – \$692.8 million) related to deposits and certificates.

	DEMAND	TERM TO MATURITY			2006 TOTAL	2005 TOTAL
		1 YEAR OR LESS	1-5 YEARS	OVER 5 YEARS		
Deposits	\$ 565,906	\$ 99,561	\$ 103,400	\$ 2,392	\$ 771,259	\$ 685,617
Certificates	–	619	1,633	3,994	6,246	7,153
	\$ 565,906	\$ 100,180	\$ 105,033	\$ 6,386	\$ 777,505	\$ 692,770

9. OTHER LIABILITIES

	2006	2005
Accounts payable and accrued liabilities	\$ 360,989	\$ 324,949
Taxes payable	188,538	143,407
Dividends payable	105,284	91,266
Interest payable	13,255	14,473
Accrued benefit liabilities (<i>Note 10</i>)	52,987	50,199
Deferred revenue	14,244	9,962
	\$ 735,297	\$ 634,256

10. EMPLOYEE FUTURE BENEFITS

The Company maintains a number of employee future benefit plans. These plans include a funded defined benefit pension plan for all eligible employees, an unfunded supplementary executive retirement plan (SERP) for certain executive officers, and an unfunded post-retirement health care and life insurance plan for eligible retirees.

	2006			2005		
	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST- RETIREMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST- RETIREMENT BENEFITS
Fair value of plan assets						
Balance, beginning of year	\$ 190,258	\$ —	\$ —	\$ 167,636	\$ —	\$ —
Employee contributions	2,869	—	—	2,678	—	—
Benefits paid	(8,569)	—	—	(6,787)	—	—
Actual return on plan assets	22,673	—	—	26,731	—	—
Balance, end of year	207,231	—	—	190,258	—	—
Accrued benefit obligation						
Balance, beginning of year	147,655	18,478	31,364	119,788	15,236	34,462
Benefits paid	(8,569)	(764)	(640)	(6,787)	(735)	(688)
Current service cost	6,101	72	1,378	4,313	398	1,630
Employee contributions	2,869	—	—	2,678	—	—
Interest cost	7,836	952	1,745	7,493	942	2,310
Actuarial losses (gains)	(1,399)	(650)	8,494	20,170	2,637	(6,350)
Balance, end of year	154,493	18,088	42,341	147,655	18,478	31,364
Funded status – plan surplus (deficit)	52,738	(18,088)	(42,341)	42,603	(18,478)	(31,364)
Unamortized net actuarial losses (gains)	(9,481)	2,008	5,434	736	3,009	(3,366)
Accrued benefit asset (liability)	\$ 43,257	\$ (16,080)	\$ (36,907)	\$ 43,339	\$ (15,469)	\$ (34,730)

The asset allocation by asset category of the defined benefit pension plan is equity securities 55% (2005 – 61%), fixed income securities 40% (2005 – 34%) and cash equivalents 5% (2005 – 5%).

10. EMPLOYEE FUTURE BENEFITS *(continued)*

	2006			2005		
	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST- RETIREMENT BENEFITS	DEFINED BENEFIT PENSION PLAN	SERP	OTHER POST- RETIREMENT BENEFITS
Benefit (income) expense was determined as follows:						
Current service cost	\$ 6,101	\$ 72	\$ 1,378	\$ 4,313	\$ 398	\$ 1,630
Interest cost on accrued benefit obligation	7,836	952	1,745	7,493	942	2,310
Expected return on plan assets	(13,118)	–	–	(11,591)	–	–
Amortization of net actuarial (gains) losses	(737)	351	(306)	(1,230)	776	141
	\$ 82	\$ 1,375	\$ 2,817	\$ (1,015)	\$ 2,116	\$ 4,081
Significant weighted-average actuarial assumptions:						
Discount rate	5.30%	5.25%	5.43%	5.30%	5.25%	5.40%
Expected long-term rate of return on plan assets	7.00%	N/A	N/A	7.00%	N/A	N/A
Rate of compensation increase	4.40%	2.75%	N/A	4.40%	2.75%	N/A
Health care cost trend rate ⁽¹⁾	N/A	N/A	9.00%	N/A	N/A	10.00%

(1) Trending to 5.00% in 2010 and remaining at that rate thereafter.

The effect of a 1% increase in assumed health care cost trend rates would be an increase in the accrued other post-retirement benefit obligation of \$8.7 million as at December 31, 2006 and an increase in the 2006 other post-retirement benefit expense of \$0.8 million. A decrease of 1% in assumed health care cost trend rates would result in a decrease in the accrued other post-retirement benefit obligation of \$6.8 million as at December 31, 2006 and a decrease in the 2006 other post-retirement benefit expense of \$0.6 million.

In addition, the Company maintains a group RSP available only to certain employees. In 2006, the Company's contributions were \$5.3 million (2005 – \$5.2 million). The contributions are expensed as paid.

11. INCOME TAXES

The Company's effective income tax rate is derived as follows:

	2006	2005
Income taxes at Canadian federal and provincial statutory rates	35.44%	35.93%
Effect of:		
Dividend income	(0.15)	(0.30)
Net capital gains and losses	(0.75)	(0.75)
Share of earnings of affiliate (Note 5)	(2.55)	(2.72)
Preferred dividend paid	0.68	0.79
Impact of rate changes on future income taxes related to indefinite life intangible assets	(1.23)	—
Other items	(1.60)	(3.06)
Effective income tax rate	29.84%	29.89%
Components of income tax expense are:		
Current income taxes	\$ 338,224	\$ 264,631
Future income taxes	(6,993)	26,869
	\$ 331,231	\$ 291,500

Future income taxes consist of the following taxable temporary differences:

	2006	2005
Future income tax assets		
Accrued benefit liabilities	\$ 17,219	\$ 18,371
Allowance for credit losses	2,755	2,921
Investment revaluations	1,388	6,144
Non-capital loss carryforwards	11,290	13,164
Restructuring costs	2,315	2,375
Other	34,226	36,628
	69,193	79,603
Future income tax liabilities		
Accrued benefit asset	13,963	15,162
Deferred selling commissions	333,628	333,710
Intangible assets	150,773	164,572
Other	12,890	15,876
	511,254	529,320
Future income taxes	\$ 442,061	\$ 449,717

As at December 31, 2006, the Company has non-capital losses of \$71.1 million (2005 – \$90.4 million) available to reduce future taxable income, the benefits of which have not been recognized. If not utilized, these losses will expire as follows: 2007 – \$0.2 million; 2008 – \$3.0 million; 2009 – \$1.8 million; 2010 – \$23.5 million; 2013 – \$0.9 million and 2014 – \$41.7 million.

12. LONG-TERM DEBT

	RATE	MATURITY	2006	2005
Debentures in Series ⁽¹⁾				
1997	6.65%	December 13, 2027	\$ 125,000	\$ 125,000
2001	6.75%	May 9, 2011	450,000	450,000
2001	7.45%	May 9, 2031	150,000	150,000
2002	7.00%	December 31, 2032	175,000	175,000
2003	6.58%	March 7, 2018	150,000	150,000
2003	7.11%	March 7, 2033	150,000	150,000
Note payable to related party				
Power Financial Corporation	10.60%	January 16, 2006	—	25,010
			\$ 1,200,000	\$ 1,225,010

(1) The debentures are redeemable by the Company, in whole or in part, at any time, at the greater of par and a formula price based upon yields at the time of redemption.

Interest expense relating to long-term debt was \$83.2 million (2005 – \$85.7 million).

There are no principal payments due in each of the next five years except \$450.0 million due in 2011.

13. SHARE CAPITAL

Authorized

Unlimited number of:

- First preferred shares, issuable in series
- Second preferred shares, issuable in series
- Class 1 non-voting shares
- Common shares

Issued and outstanding

	2006		2005	
	SHARES	STATED VALUE	SHARES	STATED TOTAL
First preferred shares, Series A	14,400,000	\$ 360,000	14,400,000	\$ 360,000
Common shares				
Balance, beginning of year	264,539,213	\$ 1,481,519	264,598,380	\$ 1,475,405
Issued under Stock Option Plan (Note 14)	598,425	13,963	525,533	9,382
Purchased for cancellation	(271,700)	(1,528)	(584,700)	(3,268)
Balance, end of year	264,865,938	\$ 1,493,954	264,539,213	\$ 1,481,519

13. SHARE CAPITAL *(continued)*

Preferred shares

The preferred shares are entitled to a fixed 5.75% annual non-cumulative dividend payable quarterly. Such shares are redeemable by the Company on or after June 30, 2009 in cash, at \$26.00 per share if redeemed prior to June 30, 2010, \$25.67 if redeemed on or after June 30, 2010, but prior to June 30, 2011, \$25.33 if redeemed on or after June 30, 2011, but prior to June 30, 2012 and \$25.00 if redeemed on or after June 30, 2012. On or after June 30, 2009, the Company may convert each preferred share into that number of common shares determined by dividing the then applicable redemption price by the greater of \$2.00 and 95% of the weighted-average trading price of the common shares at such time. On or after June 30, 2013, subject to the right of the Company to redeem for cash or to find substitute purchasers for such shares, each preferred share will be convertible at the option of the holder into that number of common shares determined by dividing \$25.00 by the greater of \$2.00 and 95% of the weighted-average trading price of the common shares at such time.

Normal course issuer bid

The Company commenced a normal course issuer bid, effective for one year, on March 22, 2006. Under this bid, the Company may purchase up to 13.2 million or 5% of its common shares as at March 14, 2006. As at December 31, 2006, 271,700 shares were purchased at a cost of \$13.2 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

On February 23, 2005, the Company commenced a normal course issuer bid, effective for one year, authorizing it to purchase up to 13.2 million or 5% of its common shares outstanding as at February 18, 2005. As at December 31, 2005, 584,700 shares were purchased at a cost of \$23.3 million. The premium paid to purchase the shares in excess of the stated value was charged to Retained earnings.

14. STOCK-BASED COMPENSATION

Stock option plan

Under the terms of the Company's Stock Option Plan (Plan), options to purchase common shares are periodically granted to employees at prices not less than the weighted-average trading price per Common Share on the Toronto Stock Exchange for the five trading days preceding the date of the grant. The options are subject to time and/or performance vesting conditions set out at the grant date and are exercisable no later than 10 years after the grant date. At December 31, 2006, 17,254,490 (2005 – 17,852,915) common shares were reserved for issuance under the Plan.

During 2006, the Company granted 810,400 options to employees (2005 – 1,920,800). A portion of the options granted to employees are subject to performance targets. The weighted-average fair value of time vesting options granted during the year ended December 31, 2006 has been estimated at \$8.68 per option (2005 – \$7.76) using the Black-Scholes option pricing model. The weighted-average fair value of performance based options granted during the year ended December 31, 2006 has been estimated at \$5.35 per option (2005 – \$4.95) using a barrier option pricing model. The assumptions used in these valuation models include: (i) risk-free interest rate of 4.11% (2005 – 4.04%), (ii) expected option life of six years (2005 – six years), (iii) expected volatility of 21.00% (2005 – 25.00%) and (iv) expected dividend yield of 3.17% (2005 – 3.42%).

The Company recorded compensation expense related to its stock option program of \$6.3 million (2005 – \$5.0 million).

14. STOCK-BASED COMPENSATION *(continued)*

	2006		2005	
	NUMBER OF OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED- AVERAGE EXERCISE PRICE
Balance, beginning of year	8,451,760	\$ 27.57	7,243,068	\$ 24.23
Granted	810,400	46.68	1,920,800	37.69
Exercised	(598,425)	22.03	(525,533)	17.52
Cancelled	(168,865)	33.43	(186,575)	30.34
Balance, end of year	8,494,870	\$ 29.66	8,451,760	\$ 27.57
Exercisable, end of year	4,653,897	\$ 23.62	3,854,090	\$ 21.99

Options outstanding at December 31, 2006	EXPIRY DATE	EXERCISE PRICE (\$)	OPTIONS OUTSTANDING	OPTIONS EXERCISABLE
	2007	12.98	31,480	31,480
	2008	20.99	48,410	48,410
	2009	21.21–24.27	273,205	273,205
	2010	17.00	22,000	22,000
	2011	19.83–22.78	2,774,293	2,774,293
	2012	27.81	79,290	55,378
	2013	25.66–28.66	1,205,825	726,784
	2014	33.52–35.77	1,435,020	460,318
	2015	37.09–37.78	1,841,747	262,029
	2016	46.68	783,600	–
			8,494,870	4,653,897

Share purchase plans

Under the Company's share purchase plans, eligible employees and financial planning consultants can elect each year to have a percentage of their annual earnings withheld, subject to a maximum, to purchase the Company's common shares. The Company matches 50% of the contribution amounts. All contributions are used by the plan trustee to purchase common shares in the open market. Shares purchased with Company contributions vest after a maximum period of three years following the date of purchase. The Company's contributions are recorded in Non-commission expense as paid and totalled \$7.6 million (2005 – \$8.2 million).

Deferred share unit plan

The Company has a deferred share unit plan for the directors of the Company to promote a greater alignment of interest between directors and shareholders of the Company. Under the Plan, directors are required to receive 50% of their annual retainer in the form of deferred share units and may elect to receive the balance of their annual retainer in cash or deferred share units. Directors may elect to receive their attendance fees in a combination of deferred share units and cash. The number of deferred share units granted is determined by dividing the amount of remuneration payable by the average closing price on the Toronto Stock Exchange of the common shares of the Company on the last five days of the fiscal quarter (the "value of deferred share unit"). A director who has elected to receive deferred share units will receive additional deferred share units in respect of dividends payable on common shares, based on the value of a deferred share unit at the dividend payment date. Deferred share units are redeemable when a participant is no longer a director, officer or employee of the Company or any of its affiliates by a lump sum cash payment, based on the value of the deferred share units at that time. At December 31, 2006, the fair value of the deferred share units outstanding was \$5.9 million (2005 – \$4.7 million). Any differences between the change in fair value of the deferred share unit plan and the change in fair value of the total return swap utilized as an economic hedge for the deferred share unit plan are recognized in Non-commission expense during the period in which the change occurs.

15. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivative contracts which are either exchange-traded or negotiated in the over-the-counter market with Schedule I and Schedule II Chartered bank counterparties on a diversified basis. In all cases the derivative contracts are used for non-trading purposes. Interest rate swaps are contractual agreements between two parties to exchange the related interest payments based on a specified notional amount and reference rate for a specified period. Total return swaps are contractual agreements to exchange payments based on a specified notional amount and the underlying security for a specific period. Options are contractual agreements which convey the right, but not the obligation, to buy or sell specific securities at a fixed price at a future date. Forward sales are contractual agreements to sell a financial instrument on a future date at a specified price.

The amount subject to credit risk is limited to the current fair value of the instruments which are in a gain position. This represents only a small percentage of the notional amount. The credit risk is presented below without giving effect to any netting agreements or collateral arrangements and does not reflect actual or expected losses. The total estimated fair value represents the total amount that the Company would receive or pay to terminate all agreements at each year end. However, this would not result in a gain or loss to the Company as the derivative instruments which correlate to certain assets and liabilities provide offsetting gains or losses.

The following table summarizes the Company's derivative financial instruments at December 31:

	NOTIONAL AMOUNT				CREDIT RISK	TOTAL ESTIMATED FAIR VALUE
	1 YEAR OR LESS	1-5 YEARS	OVER 5 YEARS	TOTAL		
2006						
Swaps	\$ 234,497	\$ 1,820,037	\$ 43,818	\$ 2,098,352	\$ 10,442	\$ 4,038
Options purchased	23,179	—	—	23,179	—	—
Options written	31,106	—	—	31,106	—	(42,555)
	\$ 288,782	\$ 1,820,037	\$ 43,818	\$ 2,152,637	\$ 10,442	\$ (38,517)
2005						
Swaps	\$ 127,745	\$ 417,685	\$ 3,868	\$ 549,298	\$ 3,686	\$ 3,130
Options purchased	—	23,179	—	23,179	76	76
Options written	—	31,106	—	31,106	—	(29,259)
Forward contracts	6,091	—	—	6,091	964	962
	\$ 133,836	\$ 471,970	\$ 3,868	\$ 609,674	\$ 4,726	\$ (25,091)

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the fair value of on and off-balance sheet financial instruments using the valuation methods and assumptions described below. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties under no compulsion to act and best evidenced by a quoted market price, if one exists. Fair values are management's estimates and are generally calculated using market conditions at a specific point in time and may not reflect future fair values. The calculations are subjective in nature, involve uncertainties and matters of significant judgment.

	2006		2005	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Assets				
Cash and cash equivalents	\$ 1,325,468	\$ 1,325,468	\$ 1,068,061	\$ 1,068,061
Securities	142,322	238,300	178,011	301,690
Loans	488,795	488,843	512,989	512,582
Accounts and other receivables	219,177	219,177	161,201	161,201
Total financial assets	\$ 2,175,762	\$ 2,271,788	\$ 1,920,262	\$ 2,043,534
Liabilities				
Deposits and certificates	\$ 777,505	\$ 778,703	\$ 692,770	\$ 694,302
Other financial liabilities	532,515	532,515	480,887	480,887
Long-term debt	1,200,000	1,410,234	1,225,010	1,450,011
Total financial liabilities	\$ 2,510,020	\$ 2,721,452	\$ 2,398,667	\$ 2,625,200
Off-balance sheet derivatives (Note 15)	\$ -	\$ (42,555)	\$ -	\$ (28,221)

Fair value is determined using the following methods and assumptions:

The fair value of short-term financial instruments approximate carrying value. These include cash and cash equivalents, accounts and other receivables, and other financial liabilities.

Securities are valued at quoted market prices, when available. When a quoted market price is not readily available, alternative valuation methods may be used.

Loans are valued by discounting the expected future cash flows at market interest rates for loans with similar credit risk.

Deposits and certificates are determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms and credit risks.

Long-term debt is determined by reference to current market prices for debentures and notes payable with similar terms and risks.

Derivative financial instruments fair values are based on quoted market prices, where available, prevailing market rates for instruments with similar characteristics and maturities, or net present value analysis.

17. EARNINGS PER COMMON SHARE

	2006	2005
Earnings		
Net income	\$ 776,690	\$ 682,427
Number of common shares <i>(in thousands)</i>		
Average number of common shares outstanding	264,724	264,573
Add:		
– Potential exercise of outstanding stock options	2,671	2,036
Average number of common shares outstanding – Diluted basis	267,395	266,609
Earnings per common share <i>(in dollars)</i>		
Basic	\$ 2.93	\$ 2.58
Diluted	\$ 2.90	\$ 2.56

In certain circumstances, the preferred shares referred to in Note 13 are convertible into common shares. These conversions are not included in the calculation of diluted earnings per share as the Company has the option to settle in cash instead of shares.

18. CONTINGENCIES, COMMITMENTS AND GUARANTEES

Contingencies

The Company is subject to legal actions, including class actions, arising in the normal course of its business. Three class actions related to alleged market timing trading activity in mutual funds of the companies have been commenced. Investors Group entered into settlement agreements in 2004 with a number of its securities regulators in respect of such market timing trading activity. Although it is difficult to predict the outcome of such legal actions, based on current knowledge and consultation with legal counsel, management does not expect the outcome of any of these matters, individually or in aggregate, to have a material adverse effect on the Company's consolidated financial position.

Commitments

The Company is committed to the following annual lease payments under its operating leases: 2007 – \$39.5 million; 2008 – \$34.8 million; 2009 – \$31.8 million; 2010 – \$26.8 million; and 2011 and thereafter – \$116.7 million.

Guarantees

In the normal course of operations, the Company executes agreements that provide for indemnifications to third parties in transactions such as business dispositions, business acquisitions, loans and securitization transactions. The Company has also agreed to indemnify its directors and officers. The nature of these agreements precludes the possibility of making a reasonable estimate of the maximum potential amount the Company could be required to pay third parties as the agreements often do not specify a maximum amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined. Historically, the Company has not made any payments under such indemnification agreements. No amounts have been accrued related to these agreements.

19. RELATED PARTY TRANSACTIONS

The Company enters into transactions with The Great-West Life Assurance Company (Great-West), London Life Insurance Company (London Life) and The Canada Life Assurance Company (Canada Life), which are all subsidiaries of its affiliate, Lifeco, which is a subsidiary of Power Financial Corporation. These transactions are in the normal course of operations and have been recorded at the agreed upon exchange amounts.

During 2006 and 2005, the Company provided to and received from Great-West, certain administrative services. The Company distributes insurance products under a distribution agreement with Great-West and Canada Life and received \$29.0 million in distribution fees (2005 – \$37.2 million). The Company paid \$21.0 million (2005 – \$17.2 million) to London Life related to the distribution of certain mutual funds of the Company.

During 2006, the Company sold residential mortgage loans to Great-West and London Life for \$291.4 million (2005 – \$122.8 million).

20. SEGMENTED INFORMATION

Investors Group and Mackenzie earn fee-based revenues in the conduct of their core business activities which are primarily related to the distribution, management and administration of their mutual funds. Fee revenues are also derived from the provision of brokerage services. Intermediary revenues are derived primarily from the assets funded by deposit and certificate products and from mortgage banking and servicing activities. In addition, Investors Group earns fee revenue from the distribution of insurance products and equity income from its investment in Lifeco.

Corporate and Other includes Investment Planning Counsel, net investment income on unallocated investments, and interest expense on corporate debt.

The results of the reportable segments reflect the Company's internal financial reporting systems.

	2006			
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	\$ 1,046,230	\$ 771,674	\$ 39,985	\$ 1,857,889
Administration	181,373	130,624	1,248	313,245
Distribution	115,663	31,791	73,710	221,164
Net investment income and other	146,016	27,142	39,142	212,300
	1,489,282	961,231	154,085	2,604,598
Operating expenses				
Commissions	392,511	370,430	69,853	832,794
Non-commission	273,846	267,466	32,087	573,399
	666,357	637,896	101,940	1,406,193
Earnings before undernoted	\$ 822,925	\$ 323,335	\$ 52,145	1,198,405
Interest expense				88,420
Income before income taxes and non-controlling interest				1,109,985
Income taxes				331,231
Income before non-controlling interest				778,754
Non-controlling interest				2,064
Net income				\$ 776,690
Identifiable assets	\$ 1,440,745	\$ 2,505,129	\$ 1,013,948	\$ 4,959,822
Goodwill	1,347,781	943,550	81,383	2,372,714
Total assets	\$ 2,788,526	\$ 3,448,679	\$ 1,095,331	\$ 7,332,536

20. SEGMENTED INFORMATION *(continued)*

	2005			
	INVESTORS GROUP	MACKENZIE	CORPORATE AND OTHER	TOTAL
Fee and net investment income				
Management	\$ 921,015	\$ 691,324	\$ 32,398	\$ 1,644,737
Administration	166,673	138,004	2,714	307,391
Distribution	113,778	33,961	64,605	212,344
Net investment income and other	126,360	19,052	37,696	183,108
	1,327,826	882,341	137,413	2,347,580
Operating expenses				
Commissions	326,496	339,934	60,041	726,471
Non-commission	265,461	258,890	30,975	555,326
	591,957	598,824	91,016	1,281,797
Earnings before undernoted	\$ 735,869	\$ 283,517	\$ 46,397	1,065,783
Interest expense				90,425
Income before income taxes and non-controlling interest				975,358
Income taxes				291,500
Income before non-controlling interest				683,858
Non-controlling interest				1,431
Net income				\$ 682,427
Identifiable assets	\$ 1,364,130	\$ 2,197,908	\$ 871,355	\$ 4,433,393
Goodwill	1,347,781	943,550	82,152	2,373,483
Total assets	\$ 2,711,911	\$ 3,141,458	\$ 953,507	\$ 6,806,876

21. ACQUISITION OF INTANGIBLE ASSETS

On September 22, 2006, Mackenzie Financial Corporation acquired the assets of Cundill Investment Research Ltd. and related entities ("Cundill Group") for cash consideration, including transaction and other related costs. There is contingent consideration due if certain future revenue and assets under management targets are achieved and an amount has been placed in escrow. The total contingent consideration is not determinable at the present time. If additional consideration becomes payable, it will be recognized as an additional cost of the purchase.

The acquisition has been accounted for by the purchase method and the results of the Cundill Group's operations have been included in the Consolidated Financial Statements from the date of acquisition.

The purchase price has been allocated to intangible assets on a preliminary basis and will be completed as soon as Mackenzie Financial Corporation has gathered all the significant information considered necessary in order to finalize this allocation.

Quarterly Review

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31
(\$ thousands except per share amounts)

	2006				2005			
	4	3	2	1	4	3	2	1
Fee and net investment income								
Management	\$ 493,194	\$ 456,481	\$ 455,907	\$ 452,307	\$ 427,109	\$ 420,516	\$ 406,462	\$ 390,650
Administration	79,586	77,097	76,520	80,042	78,029	74,481	75,396	79,485
Distribution	55,402	54,154	54,841	56,767	55,846	53,406	49,756	53,336
Net investment income and other	50,380	55,370	49,345	57,205	47,341	38,594	47,548	49,625
Total fee and net investment income	678,562	643,102	636,613	646,321	608,325	586,997	579,162	573,096
Operating expenses								
Commission expense	218,983	205,198	206,204	202,409	189,499	183,491	177,865	175,616
Non-commission expense	147,973	134,491	141,504	149,431	141,202	135,611	135,727	142,786
Interest expense	22,222	22,221	22,036	21,941	22,749	22,746	22,557	22,373
Total operating expenses	389,178	361,910	369,744	373,781	353,450	341,848	336,149	340,775
Income before undernoted	289,384	281,192	266,869	272,540	254,875	245,149	243,013	232,321
Income taxes	89,126	89,507	65,709	86,889	77,467	68,365	74,498	71,170
Income before non-controlling interest	200,258	191,685	201,160	185,651	177,408	176,784	168,515	161,151
Non-controlling interest	666	252	748	398	162	229	584	456
Net income								
In accordance with GAAP	\$ 199,592	\$ 191,433	\$ 200,412	\$ 185,253	\$ 177,246	\$ 176,555	\$ 167,931	\$ 160,695
Reconciliation of non-GAAP financial measures⁽¹⁾								
Adjusted net income (non-GAAP)	\$ 199,592	\$ 191,433	\$ 186,764	\$ 185,253	\$ 177,246	\$ 176,555	\$ 167,931	\$ 160,695
Non-cash income tax benefit	–	–	13,648	–	–	–	–	–
Net income (GAAP)	\$ 199,592	\$ 191,433	\$ 200,412	\$ 185,253	\$ 177,246	\$ 176,555	\$ 167,931	\$ 160,695
Diluted earnings per share ^(e)								
In accordance with GAAP	75	72	75	69	66	66	63	60
Adjusted earnings per share	75	72	70	69	66	66	63	60
Dividends per share ^(e)	39.75	39.75	37.0	37.0	34.5	34.5	32.25	32.25

STATISTICAL DATA (\$ millions)

Mutual funds

Investors Group								
Sales	\$ 1,497	\$ 1,245	\$ 1,453	\$ 1,995	\$ 1,377	\$ 1,205	\$ 1,254	\$ 1,652
Redemption rate (%)– total	9.0	9.3	9.6	9.7	10.0	10.4	10.5	10.5
– long-term funds	7.9	8.1	8.4	8.5	8.7	9.1	9.1	9.1
Net sales	335	127	165	718	254	56	40	428
Assets under management	58,216	53,993	51,831	53,846	50,701	49,045	46,922	45,508
Mackenzie Financial Corporation								
Sales	2,139	1,446	1,990	2,849	2,183	1,721	1,894	2,277
Redemption rate (%)– total	17.8	17.7	18.0	17.8	17.6	17.8	17.6	17.2
– long-term funds	15.2	15.1	15.3	15.1	14.8	15.1	14.7	14.3
Net sales (redemptions)	208	(194)	32	612	512	110	207	346
Assets under management	46,600	43,498	42,401	43,967	41,592	40,215	38,949	38,189
Investment Planning Counsel								
Sales	83	63	85	121	90	91	94	132
Redemption rate (%)– total	9.8	9.8	10.1	10.1	10.2	10.9	10.7	10.8
– long-term funds	9.4	9.5	9.7	9.7	9.7	10.3	9.9	9.6
Net sales	34	19	38	64	51	48	55	83
Assets under management	2,206	2,026	1,959	1,995	1,858	1,772	1,679	1,580
Combined mutual fund assets under management⁽²⁾	106,987	99,483	96,158	99,774	94,116	90,996	87,514	85,245
Total assets under management	119,364	110,431	103,732	107,179	100,233	96,585	92,494	89,805
Corporate assets	7,333	7,123	6,918	6,833	6,807	6,705	6,591	6,548
Consultants – Investors Group	3,917	3,860	3,766	3,676	3,668	3,560	3,537	3,503

(1) Refer to page 18 of the MD&A for an explanation of the Company's use of non-GAAP financial measures.

(2) Adjusted for inter-segment assets.

Ten Year Review

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31						5 YEAR %						10 YEAR %
(\$ thousands, except per share amounts)	2006	2005	2004	2003	2002	CAGR ⁽¹⁾	2001	2000	1999	1998	1997	CAGR ⁽¹⁾
Fee income	2,392,298	2,164,472	1,955,740	1,714,373	1,813,205	8.0	1,626,934	1,075,504	939,656	864,445	730,819	16.0
Net investment income	212,300	183,108	163,331	159,808	126,510	9.7	133,515	121,604	86,782	73,730	71,031	11.9
	2,604,598	2,347,580	2,119,071	1,874,181	1,939,715	8.1	1,760,449	1,197,108	1,026,438	938,175	801,850	15.6
Operating expenses	1,494,613	1,372,222	1,256,555	1,050,722	1,133,066	4.9	1,176,427	690,398	612,300	614,004	552,454	13.1
	1,109,985	975,358	862,516	823,459	806,649	13.7	584,022	506,710	414,138	324,171	249,396	20.0
Dilution gain	—	—	—	14,820	—	—	—	—	—	—	—	—
Income before undernoted	1,109,985	975,358	862,516	838,279	806,649	13.7	584,022	506,710	414,138	324,171	249,396	20.0
Income taxes	331,231	291,500	264,969	299,198	317,401	5.6	252,474	222,418	178,525	135,827	101,884	18.4
	778,754	683,858	597,547	539,081	489,248	18.6	331,548	284,292	235,613	188,344	147,512	20.8
Goodwill amortization, net of tax	—	—	—	—	—	—	71,969	267	—	—	—	—
	778,754	683,858	597,547	539,081	489,248	24.6	259,579	284,025	235,613	188,344	147,512	20.8
Discontinued operations	—	—	—	—	1,811	—	116	—	—	—	—	—
	778,754	683,858	597,547	539,081	491,059	24.6	259,695	284,025	235,613	188,344	147,512	20.8
Non-controlling interest	2,064	1,431	1,151	—	—	—	—	—	—	—	—	—
Net income												
In accordance with GAAP	776,690	682,427	596,396	539,081	491,059	24.5	259,695	284,025	235,613	188,344	147,512	20.8
Adjusted net income ⁽²⁾	763,042	682,427	615,577	533,563	491,059	14.2	392,637	284,292	235,613	188,344	147,512	20.6
Diluted earnings per share (\$)												
In accordance with GAAP	2.90	2.56	2.24	2.03	1.85	22.5	1.05	1.35	1.12	0.89	0.70	18.0
Adjusted earnings per share ⁽²⁾	2.85	2.56	2.31	2.01	1.85	12.5	1.58	1.35	1.12	0.89	0.70	17.8
Dividends per share (¢)	154	134	115	99	86	16.0	73	61	49	38	30	20.1
Return on average												
common equity (ROE) (%)												
In accordance with GAAP	20.7	20.0	19.1	19.1	19.2	—	16.7	28.1	26.4	23.8	21.1	—
Adjusted ROE ⁽²⁾	20.3	20.0	19.8	18.9	19.2	—	19.6	28.1	26.4	23.8	21.1	—
Average shares												
outstanding (thousands)												
– Basic	264,724	264,573	264,431	263,915	263,487	—	247,093	210,012	210,854	211,396	211,383	—
– Diluted	267,395	266,609	266,010	265,174	264,873	—	247,932	210,870	210,854	211,396	211,383	—
Share price (closing \$)	49.10	46.12	36.64	31.05	26.75	14.0	25.50	25.95	20.60	26.40	22.60	13.8

Includes Mackenzie from date of acquisition (April 20, 2001).

Includes Investment Planning Counsel from date of acquisition (May 10, 2004).

(1) Compound annual growth rate.

(2) Non-GAAP Financial Measures – Items denoted as being excluded refer to:

2006 – Non-cash income tax benefit as discussed on page 18 of the Management's Discussion and Analysis (MD&A).

2004 – Unitholder compensation as discussed on page 18 of the MD&A.

2003 – Dilution gain, restructuring reversal and non-cash income tax charge.

2001 and 2000 – Goodwill amortization and Mackenzie restructuring costs.

Ten Year Review

STATISTICAL INFORMATION

For the years ended December 31						5 YEAR %	10 YEAR %					
(\$ millions)	2006	2005	2004	2003	2002	CAGR ⁽¹⁾	2001	2000	1999	1998	1997	CAGR ⁽¹⁾
Mutual funds												
Investors Group												
Sales	6,190	5,488	4,722	4,021	4,916	0.5	6,027	7,053	5,915	6,296	6,513	2.1
Redemption rates (%)												
– total	9.0	10.0	10.6	12.8	12.6	–	11.6	14.0	11.9	10.0	9.9	–
– long-term funds	7.9	8.7	9.1	10.7	10.2	–	9.6	11.7	9.8	8.3	8.2	–
Net sales (redemptions)	1,345	778	218	(839)	(109)	5.5	1,031	976	1,370	2,887	3,522	(5.5)
Assets under management	58,216	50,701	44,510	40,904	37,588	6.9	41,644	44,498	40,650	36,064	32,248	8.4
Mackenzie ⁽²⁾												
Sales	8,424	8,075	6,786	5,282	5,998	19.5	3,454	–	–	–	–	–
Redemption rates (%)												
– total	17.8	17.6	16.9	17.3	17.6	–	16.7	–	–	–	–	–
– long-term funds	15.2	14.8	13.8	13.0	11.9	–	11.6	–	–	–	–	–
Net sales (redemptions)	658	1,175	795	(69)	288	93.9	24	–	–	–	–	–
Assets under management	46,600	41,592	37,298	33,770	30,860	6.9	33,400	–	–	–	–	–
Investment Planning Counsel												
Sales	352	407	259	–	–	–	–	–	–	–	–	–
Redemption rates (%)												
– total	9.8	10.2	10.5	–	–	–	–	–	–	–	–	–
– long-term funds	9.4	9.7	9.5	–	–	–	–	–	–	–	–	–
Net sales (redemptions)	155	237	161	–	–	–	–	–	–	–	–	–
Assets under management	2,206	1,858	1,497	–	–	–	–	–	–	–	–	–
Combined mutual fund assets under management⁽³⁾												
	106,987	94,116	83,273	74,674	68,448	7.4	75,044	44,498	40,650	36,064	32,248	15.2
Total assets under management	119,364	100,233	86,621	76,737	69,969	9.2	76,951	44,498	40,650	36,064	32,248	16.5
Corporate Assets	7,333	6,807	6,473	6,292	5,987	3.7	6,122	1,985	1,812	1,799	1,765	14.1
Consultants – Investors Group	3,917	3,668	3,496	3,223	3,324	2.8	3,409	3,483	3,626	3,774	3,507	2.1

Includes Mackenzie from date of acquisition (April 20, 2001).

Includes Investment Planning Counsel from date of acquisition (May 10, 2004).

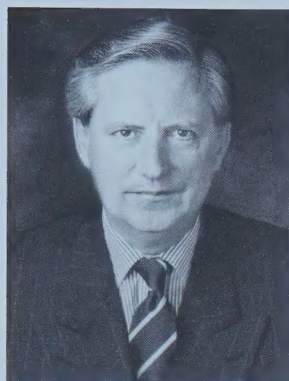
(1) Compound annual growth rate

(2) For Canadian mutual fund operations only.

(3) Adjusted for inter-segment assets.

Board of Directors and Executive Officers

Board of Directors



Robert Gratton
Chairman of the Board
IGM Financial Inc.

André Desmarais, O.C. ^(1,4,5,7)
President and Co-Chief Executive Officer
Power Corporation of Canada

Paul Desmarais, Jr., O.C. ^(1,4,5,7)
Chairman and Co-Chief Executive Officer
Power Corporation of Canada
Chairman of the Executive Committee
Power Financial Corporation

Robert Gratton ^(1,4,5,7)
Chairman of the Board
IGM Financial Inc.
Chairman of the Board
Power Financial Corporation

Daniel Johnson ^(1,4)
Counsel
McCarthy Tétrault LLP

The Right Honourable
Donald F. Mazankowski, P.C., O.C., A.O.E. ^(1,2,4)
Company Director

John S. McCallum ^(2,3,6,7)
Professor of Finance
University of Manitoba

Raymond L. McFeetors
President and Chief Executive Officer
Great-West Lifeco Inc.

R. Jeffrey Orr ^(1,4,5,7)
President and Chief Executive Officer
Power Financial Corporation

Roy W. Piper ^(2,3,5,6,7)
Self-Employed Farmer

Michel Plessis-Bélair, F.C.A. ^(1,4)
Vice-Chairman and Chief Financial Officer
Power Corporation of Canada

Susan Sherk ^(1,3,5,6)
Senior Human Environmental Associate
AMEC Earth and Environmental

Charles R. Sims ⁽¹⁾
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Mackenzie Financial Corporation

Murray J. Taylor ^(1,4)
Co-President and Chief Executive Officer
IGM Financial Inc.
President and Chief Executive Officer
Investors Group Inc.

Gérard Veilleux, O.C., D.U. ⁽³⁾
Vice-President
Power Corporation of Canada

Director Emeritus
The Honourable
Paul Desmarais, P.C., C.C.

Executive Officers

Charles R. Sims
Co-President and Chief Executive Officer

Murray J. Taylor
Co-President and Chief Executive Officer

Gregory D. Tretiak
Executive Vice-President and
Chief Financial Officer

W. Sian Burgess
Senior Vice-President, General Counsel
and Secretary

Committees

1. Executive Committee
Chair, R. Jeffrey Orr
2. Audit Committee
Chair, The Right Honourable
Donald F. Mazankowski, P.C., O.C., A.O.E.
3. Public Policy Committee
Chair, Susan Sherk
4. Investment Committee
Chair, R. Jeffrey Orr
5. Compensation Committee
Chair, R. Jeffrey Orr
6. Related Party and Conduct
Review Committee
Chair, John S. McCallum
7. Governance and Nominating Committee
Chair, Robert Gratton

Shareholder Information

Head Office

447 Portage Avenue
Winnipeg, Manitoba
R3C 3B6
Telephone: 204 943 0361
Fax: 204 947 1659

Auditors

Deloitte & Touche LLP

Transfer Agent and Registrar

Computershare Trust
Company of Canada
Telephone: 800 564 6253
service@computershare.com
Fax: 888 453 0330

600, 530-8th Avenue S.W.
Calgary, Alberta T2P 3S8

Suite 2008, Purdy's Wharf Tower II
1969 Upper Water Street
Halifax, Nova Scotia B3J 3R7

1500 University Street, 7th Floor
Montreal, Quebec H3A 3S8

100 University Avenue,
11th Floor
Toronto, Ontario M5J 2Y1

510 Burrard Street, 2nd Floor
Vancouver, British Columbia
V6C 3B9

1190-201 Portage Avenue
Winnipeg, Manitoba
R3B 3K6

Stock Exchange Listing

Toronto Stock Exchange

Shares of IGM Financial Inc. are listed on the Toronto Stock Exchange under the following listings:
Common Shares: IGM
First Preferred Shares, Series A: IGM.PR.A

Analyst Contact

For additional financial information about the Company, please contact:

Gregory D. Tretiak,
Executive Vice-President and
Chief Financial Officer
Telephone: 204 956 8748
Fax: 204 956 1446
greg.tretiak@investorsgroup.com

Shareholder Information

For additional information about the Company, please contact:

Donna L. Janovcik,
Associate Corporate Secretary
Telephone: 204 956 8532
Fax: 204 949 9594
corpsec@investorsgroup.com

Si vous préférez recevoir ce rapport annuel en français, veuillez vous adresser au Secrétaire de Société financière IGM Inc.,
447 Portage Avenue,
Winnipeg (Manitoba) R3C 3B6

Annual Meeting

The Annual Meeting of IGM Financial Inc. will be held at the Winnipeg Convention Centre, Main Floor, 375 York Avenue, Winnipeg, Canada on Friday, May 4, 2007 at 10:00 a.m. CST.

Websites

Visit our websites at
www.igmfinancial.com
www.investorsgroup.com
www.mackenziefinancial.com
www.ipcc.ca

IGM Financial Inc. is a member of the Power Financial Corporation group of companies.

™ Trademarks owned by IGM Financial Inc. and licensed to its subsidiary corporations.

** Trademarks owned by Mackenzie Financial Corporation or its subsidiaries and used with permission.*

Investment Planning Counsel's trademark is owned by Investment Planning Counsel Inc. and used with permission.

† Solutions Banking is a trademark of Power Financial Corporation and licensed to National Bank of Canada. Solutions Banking products and services are provided by National Bank of Canada. Morningstar and the Morningstar Ratings are trademarks of Morningstar Research Inc.

"IGM Financial Inc. 2006 Annual Report" © Copyright IGM Financial Inc. 2007

IGM
Financial

 **Investors
Group™**

Mackenzie 
INVESTMENTS*

 **Investment
Planning Counsel™**
FINANCIAL SOLUTIONS FOR LIFE